

**CITY OF WORCESTER, MASSACHUSETTS**

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011

Prepared by:

The Office of the City Auditor  
City of Worcester, Massachusetts

James A. DelSignore, CPA  
City Auditor

# **CITY OF WORCESTER, MASSACHUSETTS**

## **Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2011

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# CITY OF WORCESTER, MASSACHUSETTS

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# **CITY OF WORCESTER, MASSACHUSETTS**

## **Comprehensive Annual Financial Report**

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# **INTRODUCTORY SECTION**



# CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

**JAMES A. DeISIGNORE, CPA**

CITY AUDITOR

October 31, 2011

To the Honorable Members of the City Council  
City of Worcester, Massachusetts:

The Comprehensive Annual Financial Report (CAFR) of the City of Worcester, Massachusetts (the City) for the fiscal year ended June 30, 2011 is presented for your review. The report was prepared by the Auditing Department in accordance with accounting principles generally accepted in the United States of America. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been made.

In evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed their anticipated benefits. Also, the evaluation of costs and benefits requires estimates and judgments by management.

Sullivan, Rogers & Company, LLC, a firm of licensed certified public accountants, has audited the City's basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Sullivan, Rogers & Company, LLC has issued an unqualified opinion on the City of Worcester's basic financial statements for the fiscal year ended June 30, 2011. The independent auditors' report is presented as the first component of the financial section of this report.

Pursuant to the Federal Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, the City is also required to have an annual audit of the federal financial assistance it has received. In addition to a financial statement audit, the Single Audit Act requires that an internal control review and a compliance audit be performed in accordance with the Federal Office of Management and Budget's Circular A-133. The United States Department of Housing and Urban Development was assigned audit cognizant responsibilities. The requirements of the Single Audit Act have been met. The auditors' reports on internal control and compliance have been furnished separately to the City.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **City of Worcester Government**

Worcester was incorporated as a town on June 14, 1722 and as a city on February 29, 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles from Boston, 43 miles from Providence, Rhode Island and 60 miles from Hartford, Connecticut. The Towns of Holden, West Boylston, Shrewsbury, Grafton, Millbury, Auburn, Leicester and Paxton border it. The City occupies 38.44 square miles and is the second largest city in New England with a population of 181,045, according to the 2010 federal census. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City. Additionally, the City is allotted a portion of the hotel, meals and sales taxes collected within its jurisdiction by the state.

The City has operated under the council-manager form of government since 1950. An eleven-member City Council, six of whom are elected at-large and five of whom are elected from districts, performs the legislative function and policy-making. The City Council is responsible, among other things, for passing ordinances and adopting the budget. City Council members are elected biennially on a non-partisan basis.

The City Manager, appointed by the City Council, is the chief executive officer with appointive and removal authority over department heads and other employees of the City. The City Manager is responsible for the implementation of policies established by the City Council and for overseeing the day-to-day operations of the government. The City Auditor and City Clerk are elected by and are employees of the City Council.

The Mayor is the councilor who receives the highest number of votes for mayor provided he or she is also elected as one of the six at-large councilors. The Mayor serves as presiding officer of the council and ex-officio Chairperson of the School Committee.

An elected six-member School Committee, whose members are elected biennially on a non-partisan basis, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

The City provides a full range of services including public safety, public roads, sanitation, water, sewer, health and social services, culture, recreation, education, public improvements, planning and zoning, and general administrative services. The City is also financially responsible for the legally separate Worcester Retirement System (WRS), Upper Blackstone Water Pollution Abatement District (the District) and Worcester Redevelopment Authority (WRA), all of which are reported within the City's basic financial statements. Additional information on these legally separate entities can be found in the notes to the basic financial statements.

All department operating and capital budget requests are required to be submitted to the City Manager by mid-January. The City Manager then reviews these requests with every department head during a series of meetings. In accordance with MGL Chapter 44, the City Manager must then submit his proposed budget within 170 days after the City Council organizes in early January. The Council is required to hold public hearings and to adopt a final budget no later than 45 days after the budget is submitted to them. Budgetary control is centralized and enforced on a statutory account basis. Statutory accounts are maintained on a departmental level and consist of salary, capital and ordinary maintenance accounts. Purchase requisitions and payrolls, which would result in an overrun of an account balance, are not processed until additional appropriations are made available. Transfers between statutory accounts within a department require a simple majority approval by the City Council and transfers from one department to another require a two-thirds majority. Open encumbrances are reported as liabilities. All expenditures are subject to a pre-audit before being processed.

Budget-to-actual comparisons for the general fund are presented on pages 94 through 101 as part of required supplementary information.

### **Local economy**

For the past several years Worcester has seen its employment base shift from manufacturing to services. In conjunction with that there has been several development projects related to health care and entertainment in the downtown area. The City has a diverse tax base with no concentration in any particular area.

Worcester has ten colleges and universities, most of which have been continually expanding. For example, the University of Massachusetts Medical School is constructing a \$405 million 500,000 square foot science and research facility on its campus. Worcester Polytechnic Institute is constructing a \$53 million recreation center on its campus. Also, the college of the Holy Cross has recently finished constructing a \$60 million science center and is constructing a \$20 million residence hall.

Construction has continued on a new \$302 million Worcester State Hospital.

### **Factors Affecting Financial Condition**

There were three major events during the year that will affect the City's financial condition for many years to come. First CSX is currently constructing their New England distribution headquarters in Worcester at a cost of \$120 million with completion targeted for the end of 2012. This will not only boost the local economy with additional jobs but it will help clear the way for additional commuter trains between Worcester and Boston adding 20 – 25 to the existing 12 daily round trips.

Also, on July 1, 2010 the Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) for \$12.58 million in cash. This agreement has not only relieved the City from owning and servicing the airport but it will also be relieved from providing an approximate \$1.2 million annual operating subsidy. Massport had been operating and subsidizing part of the airport deficit since 2000. Also as part of the sale the City will retain ownership of lots in the Airport Industrial Park valued at \$2.6 million and will now be able to market those lots for sale.



Finally, after several years of delays, construction has started on the CitySquare project. About half of the 20 acre site was purchased by a new developer and demolition is currently taking place on all of that area except for part of an existing garage that will remain as a smaller facility with 860 spaces. The other half of the site, which houses two office buildings a garage and some retail space, is to be retained and renovated by the current owner. Currently under construction is an 8-story 214,000 square foot \$110 million office building to house the Unum Group. Also under construction is a 3-story 66,000 square foot \$23 million cancer center to be owned and operated by Vanguard Health Services. Discussions are continuing with several other potential developers to fill out the site with diverse projects. The new developer's total investment in the project is estimated to be about \$470 million over a period of 6 to 8 years. The City is to contribute about \$61 million, the state \$25 million and the federal government \$3.5 million mainly for the cost of demolition, infrastructure and an underground garage. The City will use District Improvement Financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs. It is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

Also having a major impact on the downtown area has been the steady expansion of the Massachusetts College of Pharmacy. There are currently 1,000 students living and attending classes in the City's downtown with plans to double in size in the near future. The college and commuter rail have helped galvanize apartment construction in the downtown area with approximately 400 units being added recently and with expansion of commuter rail and the college there portends to be a need for several additional units.

In November of 2006 the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund construction of a new North High School along with various other projects. Funding has come from approximately \$30 million in retroactive school construction aid to the City from the state that is being paid over a 10-year period. Also, proceeds from meals, hotel and sales taxes collected in the DCU Center enterprise zone are added to this fund. In fiscal year 2011, \$3.1 million from airport sales proceeds were also transferred into this fund. Additionally, the City has been dedicating at least 50-percent of annual "Free Cash" to a "bond rating stabilization fund" to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation.

Worcester's total assessed property value had increased steadily from fiscal 1996 through fiscal 2008 when values rose to an all time high of \$12.727 billion. Total assessed property value has decreased in each of the last three years and was \$10.857 billion in fiscal 2011 a decrease of .055 billion or 0.5% from the previous year.

### **Awards and Acknowledgements**

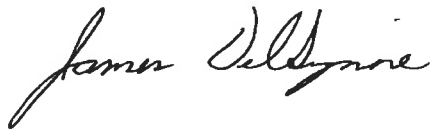
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate, a government must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last eighteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Auditing Department. I also wish to acknowledge our indebtedness to personnel in other City departments who assisted in our preparation. I am grateful to the City's independent auditors, Sullivan, Rogers & Company, LLC, for the professional assistance and advice they have provided during the course of their audit. In addition, I would like to thank the members of the City Council for your support.

Respectfully submitted,

A handwritten signature in cursive script, reading "James A. DelSignore". The signature is written in dark ink and is positioned above the printed name.

James A. DelSignore, CPA  
*City Auditor*

# **CITY OF WORCESTER, MASSACHUSETTS**

## **List of Elected and Appointed Officials**

June 30, 2011

### **Council – Manager Form of Government**

#### **CITY COUNCIL**

Joseph C. O'Brien, Mayor

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#### **Councilors-at-Large**

Michael J. Germain  
Konstantina B. Lukes  
Joseph M. Petty  
Frederick C. Rushton  
Kathleen M. Toomey

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#### **District Councilors**

Paul P. Clancy, Jr.  
William J. Eddy  
Barbara G. Haller  
Philip P. Palmieri  
Joffery A. Smith

#### **CITY MANAGER**

Michael V. O'Brien

#### **AUDITING DEPARTMENT**

James A. DelSignore, CPA, City Auditor

Michael T. Hennessy  
Kim Laino  
Deborah Monahan

Chief Accountant  
Systems Accountant  
Administrative Assistant

#### **CHIEF FINANCIAL OFFICER**

Thomas F. Zidelis

#### **BUDGET OFFICER**

Jarrett Conner

#### **ASSESSOR**

William J. Ford

#### **TREASURER & COLLECTOR**

Mariann Castelli Hier

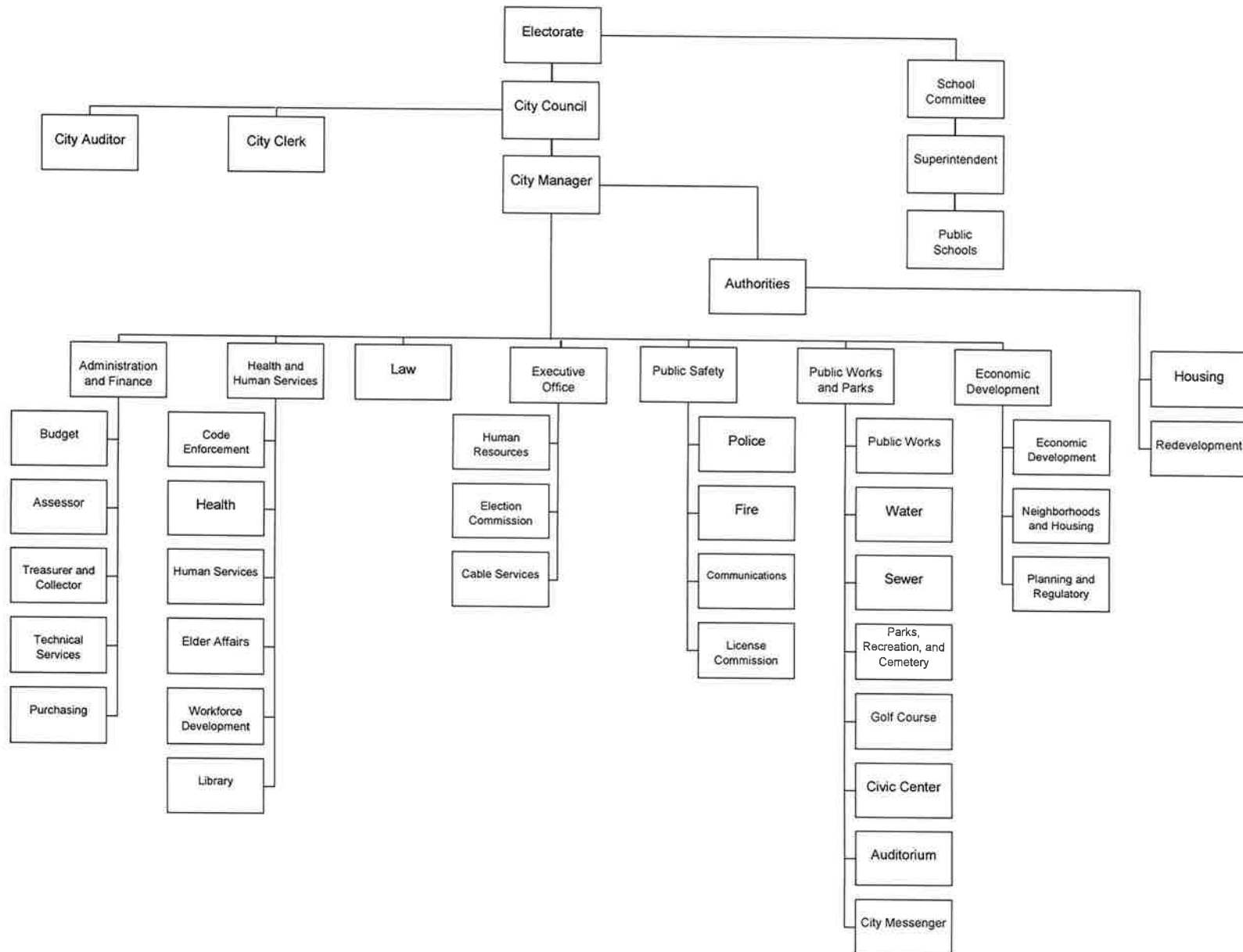
#### **PURCHASING AGENT**

John C. Orrell

#### **DIRECTOR OF TECHNICAL SERVICES**

Paul R. Covello

# WORCESTER CITY GOVERNMENT



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Worcester  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## **FINANCIAL SECTION**



Certified Public Accountants

**SULLIVAN, ROGERS & COMPANY, LLC**

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

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## **Independent Auditors' Report**

The Honorable Mayor and City Council  
City of Worcester, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2011 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2010), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

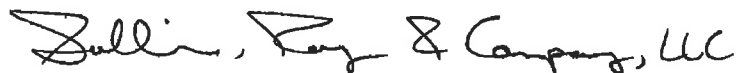
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011 (except for the Worcester Contributory Retirement System, which is as of December 31, 2010) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 1(b), the City implemented Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 11 through 23) and budgetary comparison, pension and other postemployment benefits information (located on pages 94 through 104) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, supplementary statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Sullivan, Ray & Company, LLC". The signature is written in a cursive, flowing style.

October 31, 2011



## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2011

(In thousands of dollars)

This section of the City's annual financial report presents a discussion and analysis of the City's financial activities during the fiscal year ended June 30, 2011 to assist readers of the basic financial statements in understanding the financial activities of the City. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements, which follow this section.

#### **Financial Highlights**

- The assets of the City (primary government) exceeded its liabilities (net assets) at the close of fiscal 2011 by \$189,821.
- The City's total net assets increased by \$3,100 or 1.7% during the year.
- At the end of fiscal 2011, unassigned fund balance for the general fund was \$17,758 or 3.2% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2011 was \$3,024. This amount is unassigned in the general fund and available for appropriation in fiscal 2012.
- The City's total capital assets (net) increased by \$9,968 or 1.3% during fiscal 2011.
- The City's total debt decreased by \$1,926 or 0.3% during fiscal 2011.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements report information about the City with a broad overview of its finances using accounting methods similar to those used by a private-sector business.

The statement of net assets presents information of all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during fiscal 2011. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – Governmental activities of the City such as general government, public works, public safety, public roads, sanitation, education, health, recreation, and culture are reported here. Property taxes, state aid, and local fees and charges finance most of these activities.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

- **Business-type activities** – The City charges fees to users to help it cover costs of certain services it provides. The City's water, sewer, airport and golf course (nonmajor) operations are included here.
- **Component units** – The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are two legally separate component unit entities presented discretely in this report, which are the Worcester Redevelopment Authority and the Upper Blackstone Water Pollution Abatement District. These entities are included because the City is financially accountable for them.

The government-wide financial statements can be found on pages 25 through 27 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** – Similar to the governmental activities in the government-wide financial statements, most of the City's basic services are presented here. However, unlike the government-wide financial statements, governmental funds financial statements focus on short-term inflows and outflows of available resources. They also focus on the balances of available resources at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is short-term and government-wide are long-term it is useful to compare similar information presented for governmental funds with governmental activities in the government-wide financial statements. This comparison may demonstrate the long-term implications of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the CitySquare fund, the debt service fund and the school grants fund, each of which are considered major funds. Data from the 27 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual budget for its general fund and its enterprise funds.

The governmental funds financial statements can be found on pages 28 through 31.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

**Proprietary funds** – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sewer, airport, and golf course operations, all but the golf course are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its self-insured health plan. Because this service benefits predominantly governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Conversely, the internal service fund is shown as a single presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 32 through 34.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds financial statements can be found on pages 35 and 36.

**Notes to the basic financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 37 through 92.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information which includes the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis and certain pension and other postemployment benefits information.

Other required supplementary information can be found on pages 94 through 104.

### Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by \$189,821 at the close of the most recent fiscal year and are summarized as follows:

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

| Net assets                                      |                         |           |                          |         |           |           |
|---|-------------------------|-----------|--------------------------|---------|-----------|-----------|
|   | Governmental Activities |           | Business-type Activities |         | Total     |           |
|   | 2011                    | 2010      | 2011                     | 2010    | 2011      | 2010      |
| Current and other assets                        | \$ 297,921              | 280,931   | 31,243                   | 32,253  | 329,164   | 313,184   |
| Capital assets                                  | 560,024                 | 515,289   | 213,463                  | 248,231 | 773,487   | 763,520   |
| Total assets                                    | 857,945                 | 796,220   | 244,706                  | 280,484 | 1,102,651 | 1,076,704 |
| Long-term liabilities                           | 653,158                 | 626,154   | 132,064                  | 133,311 | 785,222   | 759,465   |
| Other liabilities                               | 112,619                 | 112,313   | 14,989                   | 18,205  | 127,608   | 130,518   |
| Total liabilities                               | 765,777                 | 738,467   | 147,053                  | 151,516 | 912,830   | 889,983   |
| Net assets:                                     |                         |           |                          |         |           |           |
| Invested in capital assets, net of related debt | 280,669                 | 236,864   | 87,708                   | 120,990 | 368,377   | 357,854   |
| Restricted                                      | 42,290                  | 29,804    | 1,602                    | -       | 43,892    | 29,804    |
| Unrestricted                                    | (230,791)               | (208,915) | 8,343                    | 7,978   | (222,448) | (200,937) |
| Total net assets                                | \$ 92,168               | 57,753    | 97,653                   | 128,968 | 189,821   | 186,721   |

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net assets shows a balance of (\$222,448). However, this balance includes outstanding pension obligation bonds of \$161,254 for which there are no offsetting assets in the governmental funds. General obligation bonds were also issued to finance land acquisition and pollution remediation to make way for a for-profit hospital in the City's downtown as well as for rehabilitation of Union Station, which is owned by the City's redevelopment authority (a component unit). There are also no offsetting assets in the governmental funds for this debt, which had balances of \$16,803 and \$2,377, respectively, at year's end. Additionally, the City has a note payable of \$4,505 for improvement to neighborhood assets it does not own and bonds of \$17,261 for the CitySquare project and also owes \$961 for the Blackstone Valley Visitors Center, which was destroyed by fire. There was also \$11,956 of unspent capital debt at the end of the year. Added to that list this year is 3,027 of airport debt, which his no longer owned by the City. Absent the fore mentioned debt, there is a balance of (\$4,304) of unrestricted net assets.

At the end of fiscal 2011, the City is able to report positive balances in all three categories of net assets for business-type activities and all but unrestricted net assets in the governmental activities.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

**June 30, 2011**

**(In thousands of dollars)**

Business-type activities had a decrease in the amount invested in capital assets, net of related debt of \$33,282 or 27.5% primarily because the airport and its \$33,485 of capital assets were sold to Massport at the beginning of the fiscal year. The City retained responsibility of paying for the \$3,027 in debt related to the acquisition of the airport's capital assets. Governmental activities net capital assets increased by \$43,805 or 18.5% as construction continued to progress on a new North High School and the street and sidewalk replacement program was accelerated considerably. Much of this construction along parks improvements was financed by state grants. In addition \$2,600 of land was added as a result of the airport sale. Capital donations and maturing debt accounted for the rest of the increase.

Governmental activities restricted assets increased by \$12,486 or 41.9% as increases in restricted for nonexpendable permanent funds, state and federal grants and other specific purposes exceeded the decrease in restricted for renewal and replacement. In addition, a restriction for other post employment benefits was added in fiscal year 2011.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

The City's total net assets increased by \$3,100, or 1.7%, summarized as follows:

|   | <u>Governmental activities</u> |                | <u>Business-type activities</u> |                | <u>Total</u>   |                |
|---|--------------------------------|----------------|---------------------------------|----------------|----------------|----------------|
|   | <u>2011</u>                    | <u>2010</u>    | <u>2011</u>                     | <u>2010</u>    | <u>2011</u>    | <u>2010</u>    |
| Revenues:   |                                |                |                                 |                |                |                |
| Program revenues:   |                                |                |                                 |                |                |                |
| Charges for services  | \$ 34,499                      | 32,949         | 58,453                          | 55,351         | 92,952         | 88,300         |
| Operating grants and contributions  | 368,157                        | 348,563        | 1,282                           | 1,413          | 369,439        | 349,976        |
| Capital grants and contributions  | 32,916                         | 28,084         | 641                             | 3,514          | 33,557         | 31,598         |
| General revenues:   |                                |                |                                 |                |                |                |
| Property taxes  | 215,511                        | 205,558        | -                               | -              | 215,511        | 205,558        |
| Motor vehicle excise taxes  | 11,519                         | 11,050         | -                               | -              | 11,519         | 11,050         |
| Intergovernmental   | 36,220                         | 37,476         | -                               | -              | 36,220         | 37,476         |
| Other   | 12,809                         | 9,505          | -                               | -              | 12,809         | 9,505          |
| Total revenues  | <u>711,631</u>                 | <u>673,185</u> | <u>60,376</u>                   | <u>60,278</u>  | <u>772,007</u> | <u>733,463</u> |
| Expenses:   |                                |                |                                 |                |                |                |
| General government  | 21,026                         | 20,862         | -                               | -              | 21,026         | 20,862         |
| Public safety   | 123,114                        | 126,546        | -                               | -              | 123,114        | 126,546        |
| Health and human services   | 25,033                         | 23,994         | -                               | -              | 25,033         | 23,994         |
| Education   | 432,824                        | 425,765        | -                               | -              | 432,824        | 425,765        |
| Public works  | 37,435                         | 33,387         | -                               | -              | 37,435         | 33,387         |
| Culture and recreation  | 17,528                         | 20,018         | -                               | -              | 17,528         | 20,018         |
| Community development   | 7,926                          | 6,118          | -                               | -              | 7,926          | 6,118          |
| Interest on long-term debt  | 22,573                         | 25,351         | -                               | -              | 22,573         | 25,351         |
| Water   | -                              | -              | 24,911                          | 25,638         | 24,911         | 25,638         |
| Sewer   | -                              | -              | 33,737                          | 32,742         | 33,737         | 32,742         |
| Airport   | -                              | -              | 1,417                           | 5,047          | 1,417          | 5,047          |
| Golf course   | -                              | -              | 1,238                           | 1,122          | 1,238          | 1,122          |
| Total expenses  | <u>687,459</u>                 | <u>682,041</u> | <u>61,303</u>                   | <u>64,549</u>  | <u>748,762</u> | <u>746,590</u> |
| Change in net assets before transfers, contributions, loss on airport disposal and extraordinary item | 24,172                         | (8,856)        | (927)                           | (4,271)        | 23,245         | (13,127)       |
| Transfers   | 13,250                         | (1,733)        | (13,250)                        | 1,733          | -              | -              |
| Contributions   | 48                             | 47             | -                               | -              | 48             | 47             |
| Loss on airport disposal  | -                              | -              | (20,193)                        | -              | (20,193)       | -              |
| Extraordinary item - transfer of airport debt to governmental activities                              | <u>(3,055)</u>                 | <u>-</u>       | <u>3,055</u>                    | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Change in net assets  | 34,415                         | (10,542)       | (31,315)                        | (2,538)        | 3,100          | (13,080)       |
| Net assets - beginning  | 57,753                         | 68,295         | 128,968                         | 131,506        | 186,721        | 199,801        |
| Net assets - ending   | <u>\$ 92,168</u>               | <u>57,753</u>  | <u>97,653</u>                   | <u>128,968</u> | <u>189,821</u> | <u>186,721</u> |

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

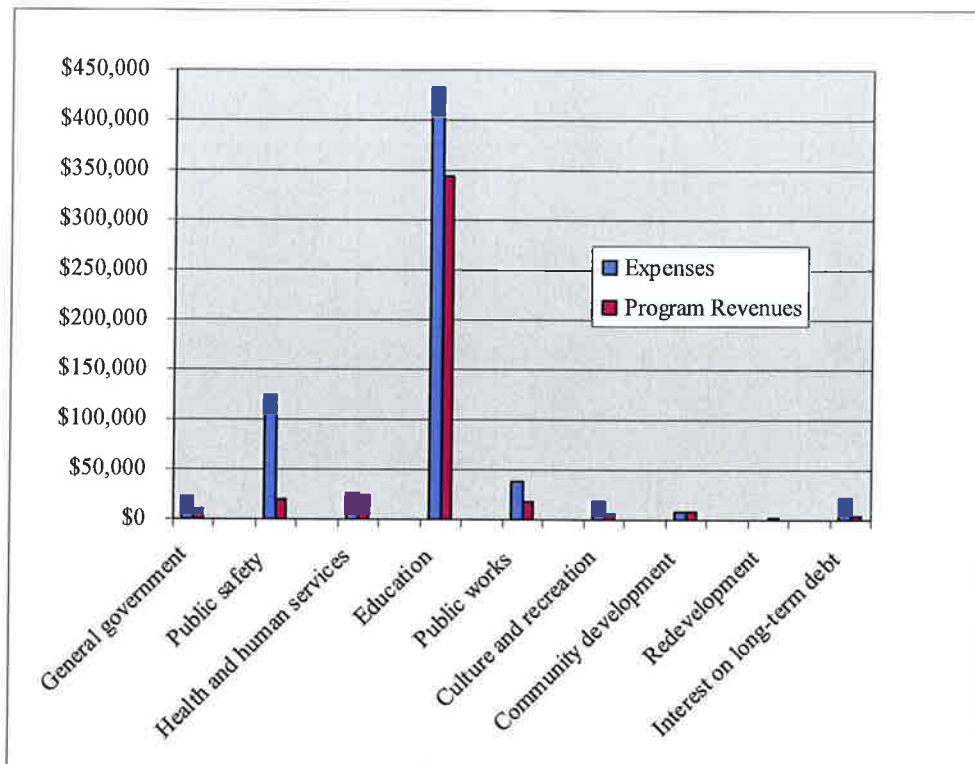
(In thousands of dollars)

**Governmental activities** – Governmental activities increased the City's net assets by \$34,415. The key elements of this increase are as follows:

Total revenues were \$711,631, which was a \$38,446 or 5.7% increase from the previous fiscal year. General revenues increased by \$12,470 or 4.7% as property tax revenue increased by \$9,953 or 4.8%, primarily because of an increase in property taxes committed for collection and meals tax revenue, which increased by \$988 or 88.2% as it was collected over the full year in fiscal 2011 compared to a partial year in fiscal 2010. Operating grants and contributions increased by \$19,594 or 5.6% as educational grants increased by \$13,689 or 4.3% and health and human service grants increased by \$2,650 or 13.0%. Capital grants and contributions increased by \$4,832 or 17.2% as public works grants increased by \$2,190 or 49.2% and \$2,600 in capital assets were added to the general government as part of the airport sale.

Total expenses were \$687,459, which was a \$5,418 or 0.8% increase from the previous fiscal year. In general expenses were lowered by budget cutbacks but fringe benefit costs increased. Public works expenses increased by \$4,048 or 12.1%, mainly because of increased snow removal and personnel costs. Educational expenses increased by \$7,059 or 1.7% primarily because of increased fringe benefit costs. Culture and recreation decreased by \$2,490 or 12.4% due in large part to a decrease in non capital improvements. Public safety decreased by \$3,432 or 2.7% due to a reduction of personnel costs.

#### FY 2011 Expenses and Program Revenues– Governmental Activities



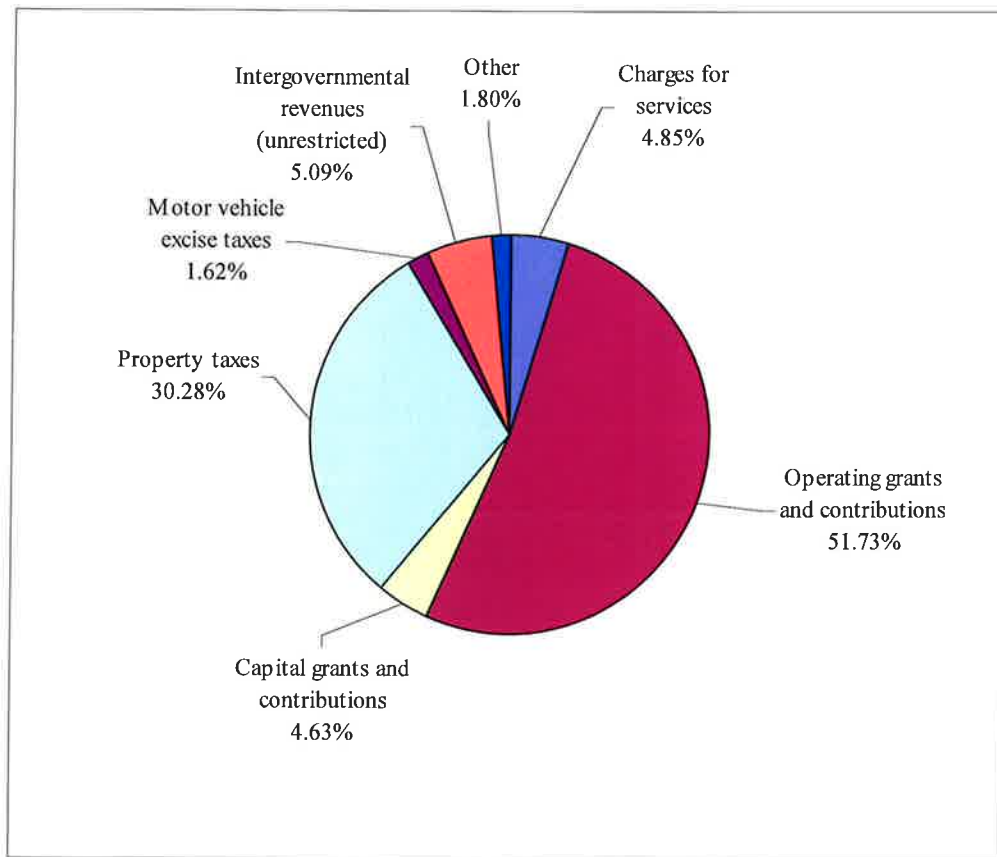
## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

#### FY 2011 Revenues by Source – Governmental Activities



**Business-type activities** – Business-type activities decreased the City's net assets by \$31,315. Factors contributing to these results are as follows:

- The water fund had operating income of \$4,254 and had an increase in net assets of \$499. This follows the previous year's \$1,204 decrease in net assets with an operating income of \$1,859.
- The sewer fund had an operating loss of \$119 compared with a loss of \$1,335 in the previous year. Net assets decreased by \$2,879, which follows the previous year's \$3,001 decrease.
- The airport fund had an operating loss of \$1,265 and had its net assets decrease by \$28,920 as it was sold to the Massport Authority. The year ended with net assets of \$1,322, which will be disposed during fiscal 2012. Although the airport was sold at the beginning of the year it was staffed largely by City employees during fiscal 2011 to assist Massport with the transition. Massport reimbursed the City \$1,282 for these costs.

The golf course fund (nonmajor) had an operating loss of \$125. Net assets decreased by \$15.



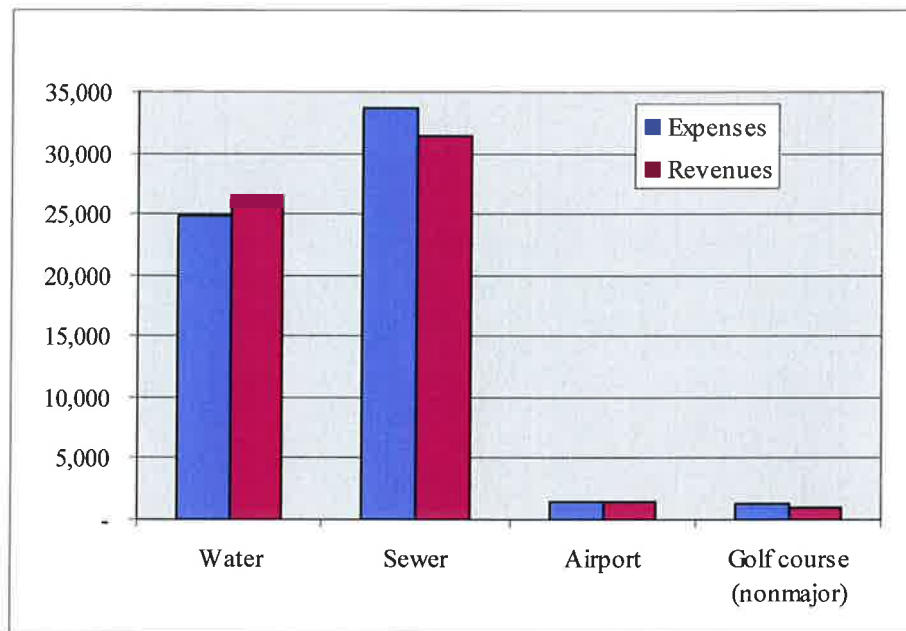
## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

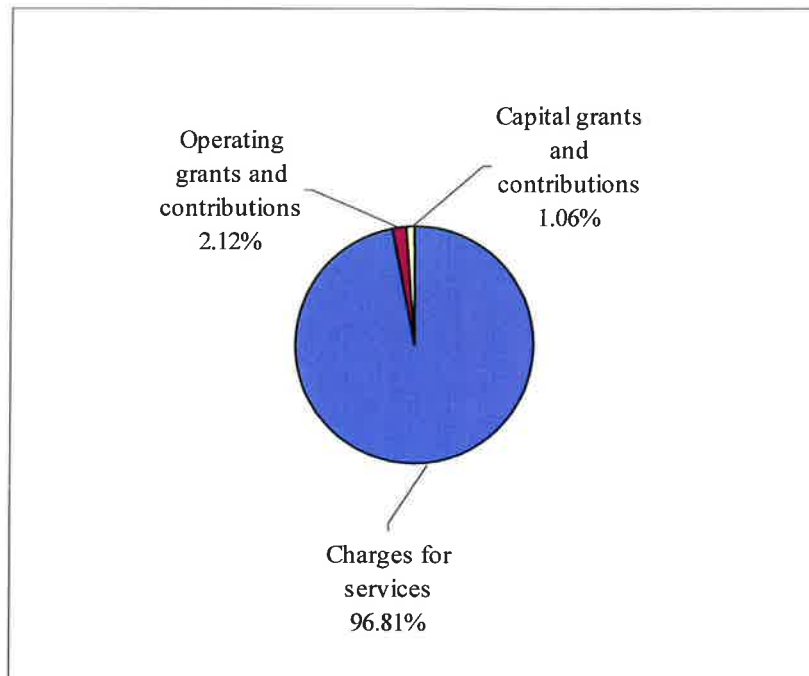
June 30, 2011

(In thousands of dollars)

#### FY 2011 Expenses and Program Revenues – Business-type Activities



#### FY 2011 Revenues by Source – Business-type Activities



## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

#### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal 2011, the City's governmental funds reported combined ending fund balances of \$81,485 an increase of \$21,554 or 36.0% from fiscal 2010. Fund balance includes \$14,215 of non-spendable amounts contained in nonexpendable permanent funds and \$17,758 of unassigned general fund balance available for spending at the City's discretion. The nonmajor capital projects funds deficit of \$10,281 will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds and the \$1,237 DCU Center deficit in the special revenue fund will be funded by charges for services. The remaining fund balance has \$38,357 restricted for specific purposes or by federal or state grants, \$9,874 of funds committed for debt service and \$12,799 of funds committed in reserve for appropriation accounts by state law or City preference.

The general fund is the chief operating fund of the City. At the end of fiscal 2011 unassigned fund balance of the general fund was \$17,758 or 3.2% of total general fund revenues. During fiscal 2011 the City's general fund balance increased by \$6,799 or 56.5%. Total revenues exceeded expenditures by \$12,290, while transfers out exceeded transfers in by \$6,058. The general fund also received a premium on the issuance of bonds of \$567.

CitySquare had a fund balance of \$7,805 at the end of fiscal 2011, a \$16,539 or 67.9% decrease from the previous year. During the year no bonds were issued and \$2,813 of intergovernmental revenue was received while there was also interest income of \$106. Project expenditures totaled \$19,458.

The debt service fund had a fund balance of \$9,874 at the end of fiscal 2011, a \$5,773 or 140.8% increase from the previous year. During the year \$1,431 in tax revenue was received and there were \$13,908 net transfers in from the general fund and a \$3,100 transfer of airport sale proceeds via the special revenue fund. Debt service expenditures were \$12,666 of which \$583 was for airport related debt.

School grants had a fund balance of \$8,810 at the end of fiscal 2011, a \$3,277 or 59.2% increase from the previous year. Intergovernmental revenue of \$60,833 was received during the year as well as \$746 in donations. There were transfers out of \$150 and expenditures of \$58,152.

Other governmental funds had a fund balance of \$36,168 at the end of fiscal 2011, a \$22,244 or 159.8% increase from the previous year. The capital projects funds fund balance was increased by \$13,893 as expenditures of \$52,550 were exceeded by revenues of \$27,286, net transfers in of \$4,258 and issuance of bonds of \$34,900. The special revenue fund increased by \$6,163 as expenditures of \$61,735 were exceeded by revenues of \$68,950 and net transfers out of \$1,767 and other financing sources of \$715. Permanent funds increased by \$2,187 as investment gains and donations of \$2,415 exceeded expenditures of \$187 and transfers out of \$40.

**Enterprise funds** – The City's enterprise funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2011

(In thousands of dollars)

Net assets of the enterprise funds at the end of fiscal 2011 totaled \$97,653. This was a \$31,315 decrease from the previous year. The water fund had an increase of \$499 while the sewer fund had a decrease of (\$2,879), the golf course fund (nonmajor) had a decrease of (\$15) and the airport had a decrease of (\$28,920). Unrestricted net assets consisted of \$1,491 in the water fund, \$7,225 in the sewer fund, (\$280) in the airport fund and (\$93) in the golf course fund (nonmajor). Other factors concerning the finances of these four funds have been addressed in the discussion of the City's business-type activities.

#### **General Fund Budgetary Highlights**

The City's final general fund revenue budget was \$331 lower than the original amount. The estimate for property taxes was increased by \$260 as additional assessments were added. Additionally, the estimate for code inspection permits was increased by \$400 as more building permit applications were processed than originally thought and the state affirmed a higher reimbursement so the school construction aid estimate was increased by \$384. The estimates for miscellaneous income and payment in-lieu of taxes were each increased by \$100 each. The state reduced its original estimate for local aid so the budget in that category was reduced by \$235. Expectations were lowered for motor vehicle excise revenue and that category was reduced by \$450 and the estimate for investment earnings was lowered by \$350.

The final general fund expenditure budget was \$3,281 higher than the original. The main components of the increase were the snow and ice removal account, which was increased \$2,160 to cover costs in excess of the original budget and the debt principal account, which was increased by a \$5,500 with the transfer of funds related to the airport sale and decreased to subsidize other general fund accounts for a net addition of \$892 to the debt principal account. The net addition to general fund budgetary accounts from the airport sales proceeds was \$2,400; \$400 of which went towards pensions and was in addition to the required contribution. Another \$3,150 went to stabilization accounts that were classified as special revenue for budgetary purposes but were reclassified to the general fund on a GAAP basis in compliance with GASB statement #54.

The general fund balance had a budgetary basis increase of \$3,711 during the year, which was on top of the \$5,240 increase in the previous and ended the year with a balance of \$14,259. Budgetary reversions of \$1,478 and positive revenue variances of \$1,739 were the primary contributors to the increase. Property tax collections exceeded the budget by \$1,174 and motor vehicle excise was \$519 more than budget. Also meals tax collections were \$909 more than budgeted. These positive variances and other were partially offset by negative variances the largest of which was \$2,389 in school related Federal Medicare reimbursements.

#### **Capital Assets and Debt Administration**

**Capital assets** – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$773,488. This includes land, buildings, improvements other than buildings, equipment and other, rolling equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current year was \$9,968 or 1.3%. Governmental activities increased by \$44,735 or 8.7% and business-type activities decreased by \$34,767 or 14.0%.

# CITY OF WORCESTER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

Major capital asset events during the current fiscal year included the following:

- Streets and sidewalks were improved with costs amounting to \$11,986.
- The CitySquare project had expenditures of \$19,458 as demolition of existing structures continued. A second tenant has signed on and will construct a cancer center, which will be in addition to the office building that will be constructed as part of the project. Total project expenditures to date have been \$32,675.
- The North High School construction project, which has been a multi-year project continued during the year and neared completion with expenditures of \$24,133 now totaling \$56,525 to date.
- Expenditures for parks improvement projects totaled \$5,224 during the year.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$12,526. Of this amount, \$5,613 was for sewer projects, \$6,489 for water projects, and \$424 was spent on golf course improvements, including \$423 on the new access road. Additionally, business-type entities received \$271 in capital donations from owners of subdivisions.

As stated earlier the airport was sold at the beginning of the fiscal year and all its \$33,485 net capital assets were disposed of by the City.

The following table summarizes the City's capital assets (net of accumulated depreciation):

|                                    |    | Capital assets<br>(net of accumulated depreciation) |                |                             |                |                |                |
|------------------------------------|----|---|----------------|-----------------------------|----------------|----------------|----------------|
|                                    |    | Governmental<br>activities                          |                | Business-type<br>activities |                | Total          |                |
|                                    |    | 2011  | 2010           | 2011                        | 2010           | 2011           | 2010           |
| Land                               | \$ | 20,316  | 18,194         | 5,161                       | 5,152          | 25,477         | 23,346         |
| Buildings                          |    | 310,223   | 319,579        | 26,650                      | 38,443         | 336,873        | 358,022        |
| Improvements, other than buildings |    | 26,959  | 20,178         | -                           | -              | 26,959         | 20,178         |
| Equipment and other                |    | 2,098   | 2,769          | 419                         | 403            | 2,517          | 3,172          |
| Rolling equipment                  |    | 5,552   | 5,718          | 2,979                       | 3,067          | 8,531          | 8,785          |
| Infrastructure                     |    | 95,357  | 88,908         | 173,469                     | 197,531        | 268,826        | 286,439        |
| Construction in progress           |    | 99,519  | 59,943         | 4,786                       | 3,635          | 104,305        | 63,578         |
| Total                              | \$ | <u>560,024</u>                                      | <u>515,289</u> | <u>213,464</u>              | <u>248,231</u> | <u>773,488</u> | <u>763,520</u> |

Additional information on the City's capital assets can be found in note 8 on pages 71 through 75 of this report.

## CITY OF WORCESTER, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

**Long-term debt** – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of \$592,873, a decrease of \$1,926 or 0.3% from the prior fiscal year. With the exception of the notes payable, the full faith and credit of the City back this entire amount.

|                          | Long-term debt          |                |                          |                |                |                |
|--------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
|                          | Governmental activities |                | Business-type activities |                | Total          |                |
|                          | 2011                    | 2010           | 2011                     | 2010           | 2011           | 2010           |
| General obligation bonds | \$ 462,302              | 463,085        | 125,292                  | 126,287        | 587,594        | 589,372        |
| Notes payable            | 4,505                   | 4,608          | 774                      | 819            | 5,279          | 5,427          |
| Total                    | <u>\$ 466,807</u>       | <u>467,693</u> | <u>126,066</u>           | <u>127,106</u> | <u>592,873</u> | <u>594,799</u> |

On November 1, 2010 the City issued \$47,705 of general obligation bonds. The proceeds consisted of \$34,900 for governmental activities and \$12,805 for business-type activities.

In relation to the above debt the City maintained credit ratings of A1 from Moody's Investors Service, A- from Standard and Poors and AA- from Fitch Ratings.

Massachusetts General Law subjects the City to a dual-level general debt limit: the normal debt limit and double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of a board comprised of the state Auditor, state Treasurer, Attorney General and Director of Accounts. Additionally, certain categories of general obligation debt are exempt from the debt limit but subject to other limitations.

Additional information on the City's long-term debt can be found in note 11 beginning on page 77 of this report.

### **Economic Factors and Next Year's Budget and Rates**

The City has a diverse economy that has significant employment in the education and health care sectors, which tend to stand up well during economic downturns. According to the U.S. Department of Labor, the City's unemployment rate was 10.0% at June 30, 2011, compared with a 9.6% rate that existed a year earlier. This compares with June 30, 2011 unemployment rates of 7.8% in Massachusetts and 9.1% nationally.

Worcester's downtown office space of 4.04 million square feet was 79.3% occupied, according to a recent survey conducted by the Worcester Regional Research Bureau. This was a decrease from the 81.2% that was occupied in the previous year based on the 4.15 million square feet that was surveyed. Property values fell for the third consecutive year from \$10,912,000 in fiscal 2010 to \$10,857,000, or 0.5%, in fiscal 2011.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Auditor, 455 Main Street, Room 102, Worcester, Massachusetts 01608.

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## ***Basic Financial Statements***

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Net Assets

June 30, 2011

|   | Primary government      |                          |                      | Component units                   |   |
|---|-------------------------|--------------------------|----------------------|-----------------------------------|---|
|   | Governmental activities | Business-type activities | Total                | Worcester Redevelopment Authority | Upper Blackstone Water Pollution Abatement District |
| <b>Assets:</b>                                  |                         |                          |                      |                                   |   |
| Cash and cash equivalents                       | \$ 106,636,789          | 5,338,212                | 111,975,001          | 117,954                           | 8,701,877   |
| Restricted cash and cash equivalents            | 70,914,500              | 10,461,790               | 81,376,290           | 19,024                            | -   |
| Restricted investments                          | 13,478,114              | -                        | 13,478,114           | -                                 | 3,580,747   |
| Receivables (net):                              |                         |                          |                      |                                   |   |
| Property taxes                                  | 4,724,867               | -                        | 4,724,867            | -                                 | -   |
| Tax and utility liens                           | 3,951,753               | 1,974,191                | 5,925,944            | -                                 | -   |
| Motor vehicle excise taxes                      | 2,211,453               | -                        | 2,211,453            | -                                 | -   |
| Charges for services                            | -                       | 11,792,806               | 11,792,806           | -                                 | 483,440   |
| Special assessments                             | 1,987,017               | 476,591                  | 2,463,608            | -                                 | -   |
| Departmental                                    | 2,751,006               | -                        | 2,751,006            | -                                 | -   |
| Intergovernmental                               | 90,917,302              | 1,199,093                | 92,116,395           | 33,345                            | 3,674,803   |
| Other   | 348,166                 | -                        | 348,166              | 2,115                             | 946,955   |
| Capital assets, not being depreciated           | 119,835,476             | 9,946,439                | 129,781,915          | 1,281,951                         | 20,478,716  |
| Capital assets, net of accumulated depreciation | 440,188,348             | 203,517,105              | 643,705,453          | 30,404,331                        | 163,503,247   |
| <b>Total assets</b>                             | <b>857,944,791</b>      | <b>244,706,227</b>       | <b>1,102,651,018</b> | <b>31,858,720</b>                 | <b>201,369,785</b>                                  |
| <b>Liabilities:</b>                             |                         |                          |                      |                                   |   |
| Accounts payable                                | 55,361,244              | 2,693,859                | 58,055,103           | 103,782                           | 3,790,263   |
| Accrued liabilities                             | 17,446,348              | 1,639,441                | 19,085,789           | 889,137                           | 2,201,576   |
| Retainage payable                               | 3,934,270               | 415,946                  | 4,350,216            | -                                 | -   |
| Other liabilities                               | 5,034,092               | -                        | 5,034,092            | 18,918                            | 395,940   |
| Temporary notes payable                         | 30,842,595              | 10,240,000               | 41,082,595           | -                                 | 5,511,272   |
| Noncurrent liabilities:                         |                         |                          |                      |                                   |   |
| Due within one year                             | 47,782,385              | 12,289,648               | 60,072,033           | 5,966,414                         | 5,855,590   |
| Due in more than one year                       | 605,376,009             | 119,774,169              | 725,150,178          | 823,560                           | 157,109,337   |
| <b>Total liabilities</b>                        | <b>765,776,943</b>      | <b>147,053,063</b>       | <b>912,830,006</b>   | <b>7,801,811</b>                  | <b>174,863,978</b>                                  |
| <b>Net assets:</b>                              |                         |                          |                      |                                   |   |
| Invested in capital assets, net of related debt | 280,668,569             | 87,707,955               | 368,376,524          | 28,218,233                        | 20,325,442  |
| Restricted for:                                 |                         |                          |                      |                                   |   |
| Nonexpendable permanent funds                   | 14,214,739              | -                        | 14,214,739           | -                                 | -   |
| Expendable permanent funds                      | 99,631                  | -                        | 99,631               | -                                 | -   |
| Renewal and replacement                         | 2,106,168               | -                        | 2,106,168            | -                                 | -   |
| State and federal grants                        | 18,249,660              | -                        | 18,249,660           | -                                 | -   |
| Other specific purposes                         | 7,620,045               | -                        | 7,620,045            | -                                 | -   |
| Sale of airport proceeds                        | -                       | 1,601,590                | 1,601,590            | -                                 | -   |
| Unrestricted (deficit)                          | (230,790,964)           | 8,343,619                | (222,447,345)        | (4,161,324)                       | 6,180,365   |
| <b>Total net assets</b>                         | <b>\$ 92,167,848</b>    | <b>97,653,164</b>        | <b>189,821,012</b>   | <b>24,056,909</b>                 | <b>26,505,807</b>                                   |

See accompanying notes to basic financial statements.



## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year ended June 30, 2011

| Functions/programs                                     | Expenses              | Program revenues        |  | Net<br>(expense)/<br>revenue |
|--|-----------------------|-------------------------|--|------------------------------|
|  |                       | Charges for<br>services | Operating<br>grants and<br>contributions |                              |
| Primary government:                                    |                       |                         |  |                              |
| Governmental activities:                               |                       |                         |  |                              |
| General government                                     | \$ 21,026,220         | 4,111,046               | 2,351,232                                | (11,963,942)                 |
| Public safety  | 123,114,129           | 13,775,426              | 6,625,197                                | (102,344,316)                |
| Health and human services                              | 25,032,848            | 1,356,388               | 23,093,748                               | (582,712)                    |
| Education  | 432,824,076           | 2,063,594               | 319,737,217                              | (89,153,803)                 |
| Public works   | 37,435,626            | 10,986,228              | 227,216                                  | (19,364,451)                 |
| Culture and recreation                                 | 17,527,512            | 2,178,103               | 1,906,367                                | (12,223,332)                 |
| Community development                                  | 7,925,854             | 28,500                  | 8,282,130                                | 384,776                      |
| Redevelopment  | -                     | -                       | 1,446,000                                | 1,446,000                    |
| Interest on debt                                       | 22,572,588            | -                       | 4,487,588                                | (18,085,000)                 |
| Total governmental activities                          | <u>687,458,853</u>    | <u>34,499,285</u>       | <u>368,156,695</u>                       | <u>(251,886,780)</u>         |
| Business-type activities:                              |                       |                         |  |                              |
| Water  | 24,910,522            | 25,945,936              | -  | 1,521,418                    |
| Sewer  | 33,736,591            | 31,319,673              | -  | (2,261,916)                  |
| Airport  | 1,416,994             | 151,624                 | 1,282,375                                | 17,005                       |
| Golf course (nonmajor)                                 | 1,237,750             | 1,035,472               | -  | (202,278)                    |
| Total business-type activities                         | <u>61,301,857</u>     | <u>58,452,705</u>       | <u>1,282,375</u>                         | <u>(925,771)</u>             |
| Total primary government                               | <u>\$ 748,760,710</u> | <u>92,951,990</u>       | <u>369,439,070</u>                       | <u>(252,812,551)</u>         |
| Component units:                                       |                       |                         |  |                              |
| Worcester Redevelopment<br>Authority                   | \$ 2,155,576          | 472,471                 | -  | (1,683,105)                  |
| Upper Blackstone Water<br>Pollution Abatement District | <u>23,202,322</u>     | <u>19,051,799</u>       | <u>-</u>                                 | <u>491,143</u>               |
| Total component units                                  | <u>\$ 25,357,898</u>  | <u>19,524,270</u>       | <u>-</u>                                 | <u>(1,191,962)</u>           |

(Continued)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Activities

For the Fiscal Year ended June 30, 2011

|  | Primary Government      |                          |               | Component Units                   |   |
|--|-------------------------|--------------------------|---------------|-----------------------------------|---|
|  | Governmental Activities | Business-Type Activities | Total         | Worcester Redevelopment Authority | Upper Blackstone Water Pollution Abatement District |
| Changes in net assets:   |                         |                          |               |                                   |   |
| Net (expense) revenue (from previous page)                               | \$ (251,886,780)        | (925,771)                | (252,812,551) | (1,683,105)                       | 491,143   |
| General revenues:  |                         |                          |               |                                   |   |
| Property taxes   | 215,510,809             | -                        | 215,510,809   | -                                 | -   |
| Motor vehicle excise taxes   | 11,518,542              | -                        | 11,518,542    | -                                 | -   |
| Other taxes and in-lieu payments   | 5,988,576               | -                        | 5,988,576     | -                                 | -   |
| Penalties and interest on taxes  | 2,285,359               | -                        | 2,285,359     | -                                 | -   |
| Intergovernmental revenues (unrestricted)                                | 36,219,672              | -                        | 36,219,672    | -                                 | -   |
| Investment earnings  | 2,542,713               | -                        | 2,542,713     | 1,207                             | 354,574   |
| Miscellaneous  | 1,992,756               | -                        | 1,992,756     | -                                 | -   |
| Transfers (net)  | 13,250,400              | (13,250,400)             | -             | -                                 | -   |
| Total general revenues and transfers (net)                               | 289,308,827             | (13,250,400)             | 276,058,427   | 1,207                             | 354,574   |
| Contributions to permanent funds   | 47,570                  | -                        | 47,570        | -                                 | -   |
| Loss on airport disposal   | -                       | (20,193,168)             | (20,193,168)  | -                                 | -   |
| Extraordinary item - transfer of airport debt to governmental activities | (3,054,977)             | 3,054,977                | -             | -                                 | -   |
| Sub-total  | 286,301,420             | (30,388,591)             | 255,912,829   | 1,207                             | 354,574   |
| Change in net assets   | 34,414,640              | (31,314,362)             | 3,100,278     | (1,681,898)                       | 845,717   |
| Net assets - beginning   | 57,753,208              | 128,967,526              | 186,720,734   | 25,738,807                        | 25,660,090  |
| Net assets - ending  | \$ 92,167,848           | 97,653,164               | 189,821,012   | 24,056,909                        | 26,505,807  |

(Concluded)

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet  
Governmental Funds  
June 30, 2011

|   | General               | CitySquare        | Debt<br>Service  | School<br>Grants | Other<br>governmental<br>funds | Total<br>governmental<br>funds |
|---|-----------------------|-------------------|------------------|------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>  |                       |                   |                  |                  |                                |                                |
| Cash and cash equivalents   | \$ 57,794,424         | -                 | 9,873,934        | -                | 12,798,858                     | 80,467,216                     |
| Restricted cash and cash equivalents                                | 1,070,000             | 19,197,109        | -                | 9,536,385        | 41,111,006                     | 70,914,500                     |
| Restricted investments  | -                     | -                 | -                | -                | 13,478,114                     | 13,478,114                     |
| Receivables (net of allowance for<br>uncollectibles of \$9,823,011) | 14,962,769            | -                 | -                | -                | 663,327                        | 15,626,096                     |
| Due from other governments  | 86,884,246            | 2,241,484         | -                | -                | 1,791,572                      | 90,917,302                     |
| <b>Total assets</b>   | <b>\$ 160,711,439</b> | <b>21,438,593</b> | <b>9,873,934</b> | <b>9,536,385</b> | <b>69,842,877</b>              | <b>271,403,228</b>             |
| <b>Liabilities and Fund Balances:</b>                               |                       |                   |                  |                  |                                |                                |
| <b>Liabilities:</b>   |                       |                   |                  |                  |                                |                                |
| Accounts payable  | \$ 40,030,330         | 5,192,986         | -                | 726,379          | 5,251,427                      | 51,201,122                     |
| Retainage payable   | -                     | 810,152           | -                | -                | 3,124,118                      | 3,934,270                      |
| Due to internal service fund  | 339,677               | -                 | -                | -                | -                              | 339,677                        |
| Temporary loans   | -                     | 7,630,595         | -                | -                | 23,212,000                     | 30,842,595                     |
| Deferred revenue  | 97,903,572            | -                 | -                | -                | 663,327                        | 98,566,899                     |
| Other liabilities   | 3,609,802             | -                 | -                | -                | 1,424,290                      | 5,034,092                      |
| <b>Total liabilities</b>  | <b>141,883,381</b>    | <b>13,633,733</b> | <b>-</b>         | <b>726,379</b>   | <b>33,675,162</b>              | <b>189,918,655</b>             |
| <b>Fund balances:</b>   |                       |                   |                  |                  |                                |                                |
| Nonspendable  | -                     | -                 | -                | -                | 14,214,739                     | 14,214,739                     |
| Restricted  | 1,070,000             | 7,804,860         | -                | 8,810,006        | 20,672,188                     | 38,357,054                     |
| Committed   | -                     | -                 | 9,873,934        | -                | 12,798,858                     | 22,672,792                     |
| Unassigned  | 17,758,058            | -                 | -                | -                | (11,518,070)                   | 6,239,988                      |
| <b>Total fund balances</b>  | <b>18,828,058</b>     | <b>7,804,860</b>  | <b>9,873,934</b> | <b>8,810,006</b> | <b>36,167,715</b>              | <b>81,484,573</b>              |
| <b>Total liabilities and<br/>fund balances</b>                      | <b>\$ 160,711,439</b> | <b>21,438,593</b> | <b>9,873,934</b> | <b>9,536,385</b> | <b>69,842,877</b>              | <b>271,403,228</b>             |

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Assets  
June 30, 2011

|  |                             |
|--|-----------------------------|
| Total governmental fund balances (Exhibit 3)   | \$ 81,484,573               |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.  | 560,023,824                 |
| Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.   | 98,566,899                  |
| An internal service fund is used by management to charge the costs of self-insured health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets. | 15,968,115                  |
| In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.   | (10,717,169)                |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:  |                             |
| Bonds and notes payable, net of unamortized premiums   | (470,193,159)               |
| OPEB   | (156,028,238)               |
| Judgments and claims   | (11,118,934)                |
| Compensated absences   | (12,944,432)                |
| Landfill closure costs   | (2,873,631)                 |
| Net assets of governmental activities (Exhibit 1)  | <u><u>\$ 92,167,848</u></u> |

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

For the Fiscal Year ended June 30, 2011

|  | General            | CitySquare          | Debt<br>Service     | School<br>Grants  | Other<br>governmental<br>funds | Total<br>governmental<br>funds |
|--|--------------------|---------------------|---------------------|-------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                    |                     |                     |                   |                                |                                |
| Property taxes   | \$ 216,370,160     | -                   | -                   | -                 | -                              | 216,370,160                    |
| Motor vehicle excise taxes                                       | 11,311,477         | -                   | -                   | -                 | -                              | 11,311,477                     |
| Other taxes and in-lieu payments                                 | 4,933,528          | -                   | 1,431,366           | -                 | -                              | 6,364,894                      |
| Penalties and interest on taxes                                  | 2,285,359          | -                   | -                   | -                 | -                              | 2,285,359                      |
| Licenses and permits   | 4,864,744          | -                   | -                   | -                 | -                              | 4,864,744                      |
| Intergovernmental  | 306,267,505        | 2,813,304           | -                   | 60,832,765        | 75,192,394                     | 445,105,968                    |
| Charges for services   | 5,938,646          | -                   | -                   | 200               | 17,600,067                     | 23,538,913                     |
| Fines and forfeitures  | 2,805,580          | -                   | -                   | -                 | -                              | 2,805,580                      |
| Investment earnings  | 68,270             | 105,917             | -                   | -                 | 2,368,473                      | 2,542,660                      |
| Donations  | -                  | -                   | -                   | 746,017           | 3,353,285                      | 4,099,302                      |
| Contributions to permanent funds                                 | -                  | -                   | -                   | -                 | 47,570                         | 47,570                         |
| Miscellaneous  | 1,428,814          | -                   | -                   | -                 | 89,366                         | 1,518,180                      |
| <b>Total revenues</b>  | <b>556,274,083</b> | <b>2,919,221</b>    | <b>1,431,366</b>    | <b>61,578,982</b> | <b>98,651,155</b>              | <b>720,854,807</b>             |
| <b>Expenditures:</b>   |                    |                     |                     |                   |                                |                                |
| <b>Current:</b>  |                    |                     |                     |                   |                                |                                |
| General government   | 13,729,821         | -                   | -                   | -                 | 2,205,969                      | 15,935,790                     |
| Public safety  | 74,930,734         | -                   | -                   | -                 | 15,464,268                     | 90,395,002                     |
| Health and human services  | 674,683            | -                   | -                   | -                 | 21,824,687                     | 22,499,370                     |
| Education  | 205,918,288        | -                   | -                   | 58,151,888        | 38,321,354                     | 302,391,530                    |
| Public works   | 18,254,673         | 19,458,173          | -                   | -                 | 16,060,350                     | 53,773,196                     |
| Culture and recreation   | 7,806,826          | -                   | -                   | -                 | 9,595,280                      | 17,402,106                     |
| Fringe benefits  | 147,319,235        | -                   | -                   | -                 | -                              | 147,319,235                    |
| Community development  | -                  | -                   | -                   | -                 | 7,925,854                      | 7,925,854                      |
| State and regional charges                                       | 28,254,560         | -                   | -                   | -                 | -                              | 28,254,560                     |
| <b>Debt service:</b>   |                    |                     |                     |                   |                                |                                |
| Principal  | 29,431,182         | -                   | 7,685,649           | -                 | 1,696,178                      | 38,813,009                     |
| Interest   | 17,663,803         | -                   | 4,980,337           | -                 | 1,379,165                      | 24,023,305                     |
| <b>Total expenditures</b>  | <b>543,983,805</b> | <b>19,458,173</b>   | <b>12,665,986</b>   | <b>58,151,888</b> | <b>114,473,105</b>             | <b>748,732,957</b>             |
| <b>Excess (deficiency)<br/>of revenues over<br/>expenditures</b> | <b>12,290,278</b>  | <b>(16,538,952)</b> | <b>(11,234,620)</b> | <b>3,427,094</b>  | <b>(15,821,950)</b>            | <b>(27,878,150)</b>            |
| <b>Other financing sources (uses):</b>                           |                    |                     |                     |                   |                                |                                |
| Transfers in   | 12,585,092         | -                   | 17,157,757          | -                 | 21,806,332                     | 51,549,181                     |
| Transfers out  | (18,643,292)       | -                   | (150,000)           | (150,000)         | (19,355,488)                   | (38,298,780)                   |
| Premium on issuance of bonds                                     | 566,756            | -                   | -                   | -                 | 237,014                        | 803,770                        |
| Issuance of bonds  | -                  | -                   | -                   | -                 | 34,899,500                     | 34,899,500                     |
| Sale of capital assets   | -                  | -                   | -                   | -                 | 478,100                        | 478,100                        |
| <b>Total other financing<br/>sources (uses)</b>                  | <b>(5,491,444)</b> | <b>-</b>            | <b>17,007,757</b>   | <b>(150,000)</b>  | <b>38,065,458</b>              | <b>49,431,771</b>              |
| <b>Net change in fund balances</b>                               | <b>6,798,834</b>   | <b>(16,538,952)</b> | <b>5,773,137</b>    | <b>3,277,094</b>  | <b>22,243,508</b>              | <b>21,553,621</b>              |
| Fund balances -- beginning                                       | 12,029,224         | 24,343,812          | 4,100,797           | 5,532,912         | 13,924,207                     | 59,930,952                     |
| Fund balances -- ending  | \$ 18,828,058      | 7,804,860           | 9,873,934           | 8,810,006         | 36,167,715                     | 81,484,573                     |

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year ended June 30, 2011

|   |                      |
|---|----------------------|
| Net change in fund balances - total governmental funds (Exhibit 5)  | \$ 21,553,621        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:   |                      |
| Capital outlays   | 67,829,322           |
| Capital donations   | 2,817,003            |
| Depreciation  | (25,911,342)         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the net change in deferred revenue.   | (12,471,841)         |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period: |                      |
| Issuance of bonds   | (34,899,500)         |
| Transfer of airport debt  | (3,054,977)          |
| Bond maturities   | 38,813,009           |
| Amortization of bond premiums   | 21,205               |
| In the statement of activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable   | 625,742              |
| An internal service fund is used by management to charge the cost of self-insured health insurance to individual funds. The activity of the internal service fund is reported with governmental funds.  | 6,976,799            |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These amounts represent the net change:   |                      |
| OPEB  | (31,513,742)         |
| Judgments and claims  | 3,693,229            |
| Compensating absences   | (157,600)            |
| Landfill closure costs  | 93,712               |
| Change in net assets of governmental activities (Exhibit 2)   | <u>\$ 34,414,640</u> |

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Net Assets

## Proprietary Funds

June 30, 2011

|   | Business-type activities |                    |                  |                  |                    | Governmental activities |
|---|--------------------------|--------------------|------------------|------------------|--------------------|-------------------------|
|   | Water                    | Major Sewer        | Airport          | Nonmajor         | Totals             | Internal Service Fund   |
|   |                          |                    |                  | Golf Course      |                    |                         |
| <b>Assets:</b>                                  |                          |                    |                  |                  |                    |                         |
| Current assets:                                 |                          |                    |                  |                  |                    |                         |
| Cash and cash equivalents                       | \$ 3,048,656             | 1,874,524          | 239,214          | 175,818          | 5,338,212          | 26,169,573              |
| Restricted cash and cash equivalents            | 3,448,390                | 7,013,400          | -                | -                | 10,461,790         | -                       |
| Receivables (net)                               | 5,104,887                | 9,138,701          | 1,199,093        | -                | 15,442,681         | 348,166                 |
| Due from general fund                           | -                        | -                  | -                | -                | -                  | 339,677                 |
| Total current assets                            | <u>11,601,933</u>        | <u>18,026,625</u>  | <u>1,438,307</u> | <u>175,818</u>   | <u>31,242,683</u>  | <u>26,857,416</u>       |
| Noncurrent assets:                              |                          |                    |                  |                  |                    |                         |
| Capital assets:                                 |                          |                    |                  |                  |                    |                         |
| Land  | 5,044,000                | 116,500            | -                | -                | 5,160,500          | -                       |
| Buildings                                       | 39,897,129               | 3,939,461          | -                | 965,493          | 44,802,083         | -                       |
| Infrastructure                                  | 139,463,371              | 157,001,737        | -                | 1,636,884        | 298,101,992        | -                       |
| Construction in progress                        | 829,897                  | 3,948,373          | -                | 7,669            | 4,785,939          | -                       |
| Equipment and other                             | 254,955                  | 425,342            | -                | -                | 680,297            | -                       |
| Rolling equipment                               | 2,422,306                | 5,080,180          | -                | -                | 7,502,486          | -                       |
| Less accumulated depreciation                   | (71,887,414)             | (74,942,860)       | -                | (739,479)        | (147,569,753)      | -                       |
| Capital assets, net                             | <u>116,024,244</u>       | <u>95,568,733</u>  | <u>-</u>         | <u>1,870,567</u> | <u>213,463,544</u> | <u>-</u>                |
| Total assets                                    | <u>127,626,177</u>       | <u>113,595,358</u> | <u>1,438,307</u> | <u>2,046,385</u> | <u>244,706,227</u> | <u>26,857,416</u>       |
| <b>Liabilities:</b>                             |                          |                    |                  |                  |                    |                         |
| Current liabilities:                            |                          |                    |                  |                  |                    |                         |
| Accounts payable                                | 1,554,766                | 973,079            | 116,552          | 49,462           | 2,693,859          | 4,160,122               |
| Accrued liabilities                             | 965,862                  | 657,377            | -                | 16,202           | 1,639,441          | 6,729,179               |
| Retainage payable                               | 195,417                  | 212,860            | -                | 7,669            | 415,946            | -                       |
| Judgments and claims                            | 146,786                  | 41,915             | -                | -                | 188,701            | -                       |
| Compensated absences                            | 372,422                  | 172,277            | -                | 8,628            | 553,327            | -                       |
| Temporary loans                                 | 3,405,000                | 6,760,000          | -                | 75,000           | 10,240,000         | -                       |
| Other   | 2,202                    | 3,360              | -                | -                | 5,562              | -                       |
| Bonds and notes payable                         | 7,692,873                | 3,635,901          | -                | 213,284          | 11,542,058         | -                       |
| Total current liabilities                       | <u>14,335,328</u>        | <u>12,456,769</u>  | <u>116,552</u>   | <u>370,245</u>   | <u>27,278,894</u>  | <u>10,889,301</u>       |
| Noncurrent liabilities:                         |                          |                    |                  |                  |                    |                         |
| Judgments and claims                            | 912,993                  | 141,296            | -                | -                | 1,054,289          | -                       |
| Compensated absences                            | 120,530                  | 38,017             | -                | 4,102            | 162,649            | -                       |
| OPEB payable                                    | 2,382,250                | 1,507,964          | -                | 94,182           | 3,984,396          | -                       |
| Other   | 8,863                    | 39,701             | -                | -                | 48,564             | -                       |
| Bonds and notes payable                         | 62,909,962               | 49,804,866         | -                | 1,809,443        | 114,524,271        | -                       |
| Total noncurrent liabilities                    | <u>66,334,598</u>        | <u>51,531,844</u>  | <u>-</u>         | <u>1,907,727</u> | <u>119,774,169</u> | <u>-</u>                |
| Total liabilities                               | <u>80,669,926</u>        | <u>63,988,613</u>  | <u>116,552</u>   | <u>2,277,972</u> | <u>147,053,063</u> | <u>10,889,301</u>       |
| <b>Net assets (deficit):</b>                    |                          |                    |                  |                  |                    |                         |
| Invested in capital assets, net of related debt | 45,464,799               | 42,381,366         | -                | (138,210)        | 87,707,955         | -                       |
| Restricted for sale of airport proceeds         | -                        | -                  | 1,601,590        | -                | 1,601,590          | -                       |
| Unrestricted                                    | 1,491,452                | 7,225,379          | (279,835)        | (93,377)         | 8,343,619          | 15,968,115              |
| Total net assets (deficit)                      | <u>\$ 46,956,251</u>     | <u>49,606,745</u>  | <u>1,321,755</u> | <u>(231,587)</u> | <u>97,653,164</u>  | <u>15,968,115</u>       |

See accompanying notes to basic financial statements.

**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011

|  | Business-type activities |             |              |                      |                       | Governmental activities |
|--|--------------------------|-------------|--------------|----------------------|-----------------------|-------------------------|
|  |                          |             |              |                      | Internal Service Fund |                         |
|  | Water                    | Major Sewer | Airport      | Nonmajor Golf Course | Totals                |                         |
| Operating revenues:  |                          |             |              |                      |                       |                         |
| Charges for services   | \$ 24,800,870            | 30,736,332  | -            | -                    | 55,537,202            | -                       |
| Employer contributions   | -                        | -           | -            | -                    | -                     | 66,837,524              |
| Employee contributions   | -                        | -           | -            | -                    | -                     | 21,969,914              |
| Fees   | -                        | -           | -            | 1,026,395            | 1,026,395             | -                       |
| Miscellaneous  | 1,145,066                | 583,341     | 151,624      | 9,077                | 1,889,108             | -                       |
| Total operating revenues   | 25,945,936               | 31,319,673  | 151,624      | 1,035,472            | 58,452,705            | 88,807,438              |
| Operating expenses:  |                          |             |              |                      |                       |                         |
| Salaries and benefits  | 9,521,449                | 5,647,915   | 1,410,053    | 310,245              | 16,889,662            | -                       |
| Benefit payments   | -                        | -           | -            | -                    | -                     | 81,917,920              |
| Ordinary maintenance   | 4,483,420                | 17,126,752  | 6,941        | 691,258              | 22,308,371            | -                       |
| Indirect costs   | 2,109,040                | 3,202,143   | -            | 31,024               | 5,342,207             | -                       |
| Depreciation   | 5,578,295                | 5,461,768   | -            | 127,569              | 11,167,632            | -                       |
| Total operating expenses   | 21,692,204               | 31,438,578  | 1,416,994    | 1,160,096            | 55,707,872            | 81,917,920              |
| Operating income (loss)  | 4,253,732                | (118,905)   | (1,265,370)  | (124,624)            | 2,744,833             | 6,889,518               |
| Nonoperating revenues (expenses):  |                          |             |              |                      |                       |                         |
| Intergovernmental  | 369,753                  | -           | 1,282,375    | -                    | 1,652,128             | -                       |
| Investment income  | -                        | -           | -            | -                    | -                     | 87,281                  |
| Interest expense   | (3,218,318)              | (2,298,013) | -            | (77,654)             | (5,593,985)           | -                       |
| Total nonoperating revenues (expenses)                                   | (2,848,565)              | (2,298,013) | 1,282,375    | (77,654)             | (3,941,857)           | 87,281                  |
| Income (loss) before capital donations and transfers                     | 1,405,167                | (2,416,918) | 17,005       | (202,278)            | (1,197,024)           | 6,976,799               |
| Capital donations  | 116,251                  | 155,002     | -            | -                    | 271,253               | -                       |
| Transfers in   | -                        | -           | -            | 208,801              | 208,801               | -                       |
| Transfers out  | (1,022,611)              | (616,858)   | (11,798,643) | (21,089)             | (13,459,201)          | -                       |
| Income (loss) before loss on airport disposal and extraordinary items    | 498,807                  | (2,878,774) | (11,781,638) | (14,566)             | (14,176,171)          | 6,976,799               |
| Loss on airport disposal   | -                        | -           | (20,193,168) | -                    | (20,193,168)          | -                       |
| Extraordinary item - transfer of airport debt to governmental activities | -                        | -           | 3,054,977    | -                    | 3,054,977             | -                       |
| Change in net assets   | 498,807                  | (2,878,774) | (28,919,829) | (14,566)             | (31,314,362)          | 6,976,799               |
| Total net assets – beginning   | 46,457,444               | 52,485,519  | 30,241,584   | (217,021)            | 128,967,526           | 8,991,316               |
| Total net assets – ending  | \$ 46,956,251            | 49,606,745  | 1,321,755    | (231,587)            | 97,653,164            | 15,968,115              |

See accompanying notes to basic financial statements.



**CITY OF WORCESTER, MASSACHUSETTS**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011

|  | Business-type activities |              |              |             |              | Governmental activities |
|--|--------------------------|--------------|--------------|-------------|--------------|-------------------------|
|  | Major                    |              |              | Nonmajor    |              | Internal Service Fund   |
|  | Water                    | Sewer        | Airport      | Golf Course | Totals       |                         |
| <b>Cash flows from operating activities:</b>   |                          |              |              |             |              |                         |
| Receipts from customers  | \$ 27,679,760            | 32,255,276   | 151,624      | 1,035,472   | 61,122,132   | 88,807,438              |
| Payments for interfund service provided  | -                        | -            | -            | -           | -            | (79,628,381)            |
| Payments to suppliers  | (6,215,034)              | (21,078,160) | (178,258)    | (948,296)   | (28,419,748) | -                       |
| Payments to employees  | (9,056,168)              | (5,421,270)  | (1,363,156)  | (288,162)   | (16,128,756) | -                       |
| Net cash provided (used) by operating activities   | 12,408,558               | 5,755,846    | (1,389,790)  | (200,986)   | 16,573,628   | 9,179,057               |
| <b>Cash flows from noncapital financing activities:</b>  |                          |              |              |             |              |                         |
| Payback of advances from general fund  | -                        | -            | (375,199)    | -           | (375,199)    | -                       |
| Transfers in   | -                        | -            | -            | 208,801     | 208,801      | -                       |
| Transfers (out)  | (1,022,611)              | (616,858)    | (11,798,643) | (21,089)    | (13,459,201) | -                       |
| Intergovernmental subsidies  | 369,753                  | -            | 2,072,706    | -           | 2,442,459    | -                       |
| Net cash provided (used) by noncapital financing activities  | (652,858)                | (616,858)    | (10,101,136) | 187,712     | (11,183,140) | -                       |
| <b>Cash flows from capital and related financing activities:</b>   |                          |              |              |             |              |                         |
| Issuance of capital debt   | 7,724,000                | 14,476,000   | -            | 845,000     | 23,045,000   | -                       |
| Acquisition and construction of capital assets   | (4,465,026)              | (4,989,765)  | -            | (174,749)   | (9,629,540)  | -                       |
| Principal paid on capital debt   | (11,665,781)             | (11,045,798) | -            | (911,513)   | (23,623,092) | -                       |
| Proceeds from sale of airport  | -                        | -            | 11,690,400   | -           | 11,690,400   | -                       |
| Interest paid on capital debt  | (3,309,184)              | (2,302,666)  | -            | (79,027)    | (5,690,877)  | -                       |
| Net cash provided (used) by capital and related financing activities   | (11,715,991)             | (3,862,229)  | 11,690,400   | (320,289)   | (4,208,109)  | -                       |
| <b>Cash flows from investing activities:</b>   |                          |              |              |             |              |                         |
| Investment income  | -                        | -            | -            | -           | -            | 87,281                  |
| Net increase (decrease) in cash and cash equivalents   | 39,709                   | 1,276,759    | 199,474      | (333,563)   | 1,182,379    | 9,266,338               |
| Cash and cash equivalents at beginning of year (includes \$5,414,235, \$6,741,624, \$39,740 and \$465,407 reported as restricted in the Water, Sewer, Airport and Golf Course funds) | 6,457,337                | 7,611,165    | 39,740       | 509,381     | 14,617,623   | 16,903,235              |
| Cash and cash equivalents at end of year (includes \$3,448,390 and \$7,013,400 reported as restricted in the Water and Sewer funds)  | \$ 6,497,046             | 8,887,924    | 239,214      | 175,818     | 15,800,002   | 26,169,573              |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>   |                          |              |              |             |              |                         |
| Operating income (loss)  | \$ 4,253,732             | (118,905)    | (1,265,370)  | (124,624)   | 2,744,833    | 6,889,518               |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:  |                          |              |              |             |              |                         |
| Changes in assets and liabilities not requiring current expenditure of cash:   |                          |              |              |             |              |                         |
| Depreciation expense   | 5,578,295                | 5,461,768    | -            | 127,569     | 11,167,632   | -                       |
| Increase (decrease) in OPEB payable  | 477,021                  | 251,049      | -            | 21,806      | 749,876      | -                       |
| Changes in assets and liabilities requiring current expenditure of cash:   |                          |              |              |             |              |                         |
| (Increase) decrease in accounts receivable   | 1,733,824                | 935,603      | -            | -           | 2,669,427    | 306,219                 |
| Increase (decrease) in accounts payable  | 696,627                  | (777,113)    | (124,420)    | (225,445)   | (430,351)    | 680,987                 |
| Increase in accrued liabilities  | -                        | -            | -            | -           | -            | 1,302,333               |
| Increase (decrease) in judgments and claims payable  | (308,707)                | 31,828       | -            | -           | (276,879)    | -                       |
| Increase (decrease) in compensated absences payable  | (22,234)                 | (28,384)     | -            | (292)       | (50,910)     | -                       |
| Total adjustments  | 8,154,826                | 5,874,751    | (124,420)    | (76,362)    | 13,828,795   | 2,289,539               |
| Net cash provided (used) by operating activities   | \$ 12,408,558            | 5,755,846    | (1,389,790)  | (200,986)   | 16,573,628   | 9,179,057               |
| <b>Noncash investing, capital and financing activities:</b>  |                          |              |              |             |              |                         |
| Capital donations  | \$ 116,251               | 155,002      | -            | -           | 271,253      | -                       |

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Fiduciary Net Assets

June 30, 2011

|                                       | <b>Pension Trust<br/>Fund (As of<br/>December 31,<br/>2010)</b> | <b>Agency<br/>Fund</b> |
|---------------------------------------|---|------------------------|
| <b>Assets:</b>                        |   |                        |
| Cash and cash equivalents             | \$ 2,775,421  | 434,620                |
| Investments, at fair value:           |   |                        |
| Equities                              | 193,640,968   | -                      |
| Fixed income                          | 114,886,192   | -                      |
| Pooled equities                       | 138,970,391   | -                      |
| Pooled fixed income                   | 33,339,605  | -                      |
| Real estate                           | 74,863,259  | -                      |
| Alternative investments               | 123,457,169   | -                      |
| <b>Total investments</b>              | <b>679,157,584</b>  | <b>-</b>               |
| Receivables:                          |   |                        |
| Accrued interest and dividends        | 1,130,572   | -                      |
| Intergovernmental                     | 422,175   | -                      |
| Receivable for securities sold        | 1,258,429   | -                      |
| Other receivables                     | 86,741  | -                      |
| <b>Total receivables</b>              | <b>2,897,917</b>  | <b>-</b>               |
| Securities lending collateral         | 57,161,050  | -                      |
| <b>Total assets</b>                   | <b>741,991,972</b>  | <b>434,620</b>         |
| <b>Liabilities:</b>                   |   |                        |
| Accounts payable and accrued expenses | 376,825   | 6,619                  |
| Due to student groups                 | -   | 428,001                |
| Intergovernmental                     | 2,228,575   | -                      |
| Payable for securities purchased      | 324,342   | -                      |
| Securities lending collateral         | 57,161,050  | -                      |
| <b>Total liabilities</b>              | <b>60,090,792</b>   | <b>434,620</b>         |
| <b>Net assets:</b>                    |   |                        |
| Held in trust for pension benefits    | \$ 681,901,180  | -                      |

See accompanying notes to basic financial statements.

## CITY OF WORCESTER, MASSACHUSETTS

## Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2011

|  | <b>Pension Trust<br/>Fund<br/>(Year ended<br/>December 31,<br/>2010)</b> |
|--|--|
| <b>Additions:</b>  |  |
| Contributions:   |  |
| Employers  | \$ 30,196,904  |
| Plan members   | 14,731,633   |
| Commonwealth of Massachusetts                                    | 1,726,411  |
| Reimbursements from other systems                                | 422,175  |
| Total contributions  | <u>47,077,123</u>  |
| Investment earnings:   |  |
| Interest and dividends   | 10,053,369   |
| Securities lending income  | 176,108  |
| Net appreciation in fair value of investments                    | 76,542,340   |
| Less: management fees  | (3,390,514)  |
| Less: borrower rebates and fees under securities lending program | <u>(106,395)</u>   |
| Net investment earnings  | <u>83,274,908</u>  |
| <b>Total additions</b>   | <u>130,352,031</u>   |
| <b>Deductions:</b>   |  |
| Benefits   | 61,274,343   |
| Reimbursements to other systems                                  | 2,228,553  |
| Refunds and transfers of plan member accounts to other systems   | 2,127,126  |
| Administrative expenses  | <u>557,170</u>   |
| <b>Total deductions</b>  | <u>66,187,192</u>  |
| <b>Change in net assets</b>                                      | 64,164,839   |
| Net assets – beginning   | <u>617,736,341</u>   |
| Net assets – ending  | <u><u>\$ 681,901,180</u></u>   |

See accompanying notes to basic financial statements.

# **CITY OF WORCESTER, MASSACHUSETTS**

## **Notes to the Basic Financial Statements**

June 30, 2011

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## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

#### **(1) Summary of Significant Accounting Policies**

The accompanying basic financial statements of the City of Worcester (the City) are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

##### **(a) *Financial Reporting Entity***

The City's basic financial statements present the City (the primary government) and its component units. The component units, discussed below, are included in the City's reporting entity because of the significance of their operational and financial relationship with the City.

##### **Primary Government**

The City operates under the Council-Manager form of government. Legislative authority is vested in an eleven-member City Council (the Council), of which six members are elected at-large and five are elected from districts. The School Committee, whose members are elected biennially, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2011, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2010.

##### **Fiduciary Fund Component Unit**

WRS provides services almost entirely to the City. While legally separate, WRS is presented as if it were part of the primary government.

WRS is a cost-sharing, multiple-employer defined benefit pension plan established by the City on June 12, 1944 under Chapter 32 of the Massachusetts General Laws (MGL) and is regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). WRS covers certain eligible employees of the City and the Worcester Housing Authority.

WRS is administered by a five-member Retirement Board comprised of the City Auditor, who serves as *ex-officio*; two members elected by participants in or retired from service under WRS; a fourth member appointed by the City Manager; and a fifth member appointed by the other members. WRS is accounted for as a pension trust fund. Complete audited financial statements for WRS are publicly available and can be obtained from the Retirement Office, 455 Main Street, Room 103, Worcester, Massachusetts 01608.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

#### **Discretely Presented Component Units**

These component units are reported in separate columns to emphasize that they are legally separate from the City but are included in the City's reporting entity because the City is financially accountable for them. The City is financially accountable for, and is able to impose its will on these organizations. The City appoints a voting majority of each organization's governing body and there is a potential for each organization either to provide specific financial benefits or to impose specific financial burdens on the City. The notes to the basic financial statements pertain to the primary government, unless otherwise indicated. A description of the discretely presented component units and their relationship with the City follows:

- The **Upper Blackstone Water Pollution Abatement District** (the District) is a special-purpose municipal corporation whose primary responsibility is to provide sewage treatment services to participating municipalities. The District was established under Chapter 752 of the Acts of 1968 of the Commonwealth. The District's area of potential service includes the City of Worcester, the Towns of Auburn, Boylston, Holden, Leicester, Millbury, Oxford, Paxton, Rutland, Shrewsbury, and West Boylston and all the sewer districts representing a portion of any of the above towns. The City of Worcester and the Towns of Auburn, Holden, Millbury, Rutland, West Boylston, and the Cherry Valley Sewer District of Leicester are the members of the District. The District is governed by a board of directors comprised of residents of the member governments. Each member government appoints one board member, with the City appointing a sufficient number of board members to have a majority vote. Complete financial statements for the District can be obtained from the District's administrative offices at Route 20, Millbury, Massachusetts 01527.
- The **Worcester Redevelopment Authority** (WRA) was organized under state law as a body corporate and politic having the authority to oversee and direct the City's redevelopment activities. WRA exercises its redevelopment powers through a five-member board, of which four members are appointed without restriction by the City Manager. Complete financial statements can be obtained from the Office of Budget and Operational Analysis, Chief Financial Officer, Worcester Redevelopment Authority, 455 Main Street, Worcester, Massachusetts 01608.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

#### **Joint Venture**

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2011 amounted to \$2,617, which represented approximately 76% of the total of such assessments on all participating cities and towns. Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 287 Grove Street, Worcester, Massachusetts 01605.

#### **Related Organization**

The City Manager is responsible for appointing four out of five board members to the Worcester Housing Authority subject to confirmation by the City Council. However, the City's accountability for this organization does not extend beyond making these appointments.

#### **(b) *Implementation of New Accounting Principles***

For the year ending June 30, 2011, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund, capital projects fund, debt service fund, and permanent fund types are clarified by the provisions in this Statement.

GASB Statement No. 57 and Statement No. 59 had no reporting impact for the City.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

#### **(c) *Government-Wide and Fund Financial Statements***

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its discretely presented component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely for the most part on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities presents both the gross and net cost per functional category. Direct expenses are those that are clearly identifiable with a specific function and program revenues must be directly associated with that function. Program revenues include charges to customers or applicants who purchase goods, services, or privileges as well as grants and contributions that are restricted to meeting operational or capital requirements of the function. Other revenue sources, such as taxes and investment earnings not properly included among program revenues, are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, fiduciary funds are not included in government-wide statements since these assets are held for the benefit of private parties and pension participants and cannot be used to satisfy obligations of the primary government. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

#### **(d) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements and the proprietary, fiduciary, and component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Except for the agency fund (a fiduciary fund), revenues are recorded when earned and expenses are recognized when incurred. Agency funds do not present the results of operations or have a measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Employer contributions to the pension trust fund are recognized as revenue and recorded as a receivable when appropriated by the participating employers. Member and other contributions are recognized when due. Benefits and refunds to plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the plan.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues.



## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

The City also reports proprietary funds. The focus in proprietary funds is upon determination of operating income, changes in net assets, financial position, and cash flows. The City's discretely presented component units, along with the water, sewer, airport, and golf course (nonmajor) enterprises, fit into this category. The accounting principles used are similar to those used for private sector businesses. The City and its component units apply to these funds accounting standards and interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989, unless those principles conflict with or contradict pronouncements of GASB. After such date, the City follows GASB pronouncements.

The City applies the susceptible-to-accrual criteria to intergovernmental revenues. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible-to-accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth.

Property taxes and motor vehicle excise taxes are recorded as revenue in the year for which the taxes have been levied, provided they are collected within 60 days after year-end. Investment income is recorded as earned. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

Expenditures are recorded when the liability is incurred except for (1) interest on general obligation debt, which is recorded when due; and (2) claims, and judgments (including self-insurance), compensated absences and landfill closure and postclosure care costs, all of which are recorded as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources.

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources used for the construction of the CitySquare project.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include funding for City Square and North High School debt service. In fiscal 2011 funding was also received from the sale of the airport via special revenue real estate sales.
- **School Grants Fund** – The school grants fund accounts for school programs funded by grants.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

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(In thousands of dollars)

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

**Special revenue funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects.

**Capital projects funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Permanent funds** are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

The City reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to City users.
- **Sewer Fund** – The sewer fund is used to account for the utility that treats sewerage and storm water run-off in the City.
- **Airport Fund** – The airport fund is used to account for the operations of the City's municipal airport. During fiscal year 2011, the majority of the Airport's assets were transferred to the Massachusetts Port Authority. See Note 17.

Additionally, the City reports the following fund types:

- **Pension Trust Fund** – The pension trust fund is used to account for the activities of WRS, which accumulates resources for pension benefit payments to qualified employees.
- **Agency Fund** – The agency fund is used to account for student activity funds.

The City also uses an internal service fund to account for self-insured health costs. Although the fund is presented in a separate column in the accompanying financial statements, it is not considered a major fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the water, sewer, and golf course (nonmajor) functions and other functions. These charges are reflected as charges to the proprietary funds and expense credits to the servicing functions.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues are those that cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services, fees, facility rental, and miscellaneous operating revenues. Operating expenses of these funds are salaries and benefits, ordinary maintenance, indirect costs, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **(e) *Assets, Liabilities, Net Assets and Fund Balances***

##### **Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents consist of highly liquid financial instruments with original maturities of three months or less.

##### **Basis of Investment Valuation**

Investments are stated at fair value. Fair values are based on quotations from a national securities exchange except for alternative investments and real estate funds, for which fair value is determined through estimates by fund managers.

The City's alternative investments are recorded at fair market value as determined in good faith by the general partners of the alternative investment firms. The City's investments in real estate funds are recorded at fair value, based on independent third party appraisals as reported by the investment managers of the funds. As there is no readily available market for these investments, estimated values may differ significantly from the values that may be realized upon liquidation.

##### **Basis of Investment Transactions**

Purchases and sales of investments are recorded on the trade date. Transactions unsettled as of year-end are recorded as payables for securities purchased and as receivables for securities sold.

##### **Property Taxes**

Real and personal property taxes are based on values levied (assessed) and liened as of each January 1 in accordance with Massachusetts General Laws. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Once levied, these taxes are recorded as receivables, net of estimated uncollectibles. In the governmental funds financial statements property tax revenues have been recorded using the modified accrual basis of accounting, which is described in note 1(d). The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated uncollectibles.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

The City bills and collects its property taxes on a quarterly basis. Taxes must be billed at least 30 days prior to their due date. The scheduled due dates for quarterly tax billings are August 1, November 1, February 1 and May 1. Overdue property taxes are subject to interest and penalties. The City has an ultimate right to foreclose on properties for which taxes have not been paid.

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the City. A secondary limitation is that no levy in any fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a City-wide referendum vote.

#### **Inventory**

The cost of supplies and other inventorable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2011, and therefore are not reported.

#### **Capital Assets**

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 and an estimated useful life in excess of two years. The WRA and District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material. Such costs were not considered material during fiscal 2011. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

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(In thousands of dollars)

#### **Compensated Absences**

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation, or policy. The cost of compensated absences for employees is recorded as earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (i.e., come due for payment). To the extent it is probable that unused sick days will result in termination payments, a liability based on established payment rates and the City's past experience in making such termination payments, adjusted for other current factors and expectations, has been recorded.

#### **Net Assets and Fund Balances**

Net assets are reported as restricted when amounts are specified by outside parties for a specific future use. The City reports the following net asset restrictions:

"Nonexpendable permanent funds" represents amounts held in trust for which only investment earnings may be expended.

"Expendable permanent funds" represents amounts held in trust whereby expenditures are subject to various trust agreements.

"Renewal and replacement" represents resources set aside to fund asset renewal and replacement.

"State and federal grants" represents restrictions placed on assets from state and federal granting agencies.

"Other specific purposes" represents restrictions placed on assets other than from state and federal granting agencies.

"Sale of airport proceeds" represents restrictions placed on proceeds from the sale of the airport.

The following fund balance classifications describe the relative strength of the spending constraints:

"Nonspendable" — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

"Restricted" — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

“Committed” — represents amounts that can be used only for specific purposes imposed by a formal action of City Council, which is the highest level of decision-making authority for the City. Committed amounts may be established, modified, or rescinded only through actions approved by City Council.

“Assigned” — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes.

“Unassigned” — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

The City adopted a general fund balance policy in November 2006. It is the City’s policy to achieve unassigned general fund balance equal to or greater than 5-percent of general fund revenues.

#### **Securities Lending Transactions**

Collateral received on securities lending transactions is reported as an asset with a corresponding liability to the borrower. The underlying securities lent to the borrower under these transactions are reported as investments. Borrower rebates and administrative fees are reported as expenses; interest and dividends on the underlying securities and related collateral are reported as revenues.

#### **Landfill Closure and Postclosure Care Costs**

State and federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2011, 100% of the City’s expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered, is in the process of covering, or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net assets. Expenditures related to MSWLF closure and postclosure care in fiscal 2011 were \$94.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

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(In thousands of dollars)

#### **Judgments and Claims**

The City is uninsured with respect to risks including, but not limited to, property damage, personal injury, and workers' compensation. In the governmental funds financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the proprietary and government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

#### **Long-Term Liabilities**

For long-term liabilities, only that portion, which is matured, is reported as a fund liability of a governmental fund. All long-term liabilities are reported in the government-wide statement of net assets. Long-term liabilities expected to be financed from discretely presented component unit operations are accounted for in those component unit financial statements.

#### **Investment Income**

Except for the permanent funds and the CitySquare fund, investment income derived from governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law.

Except for investment income of the internal service fund, investment income from proprietary funds is voluntarily assigned to the general fund.

#### **Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Total Column**

##### **Government-Wide Financial Statements**

The total column presented on the government-wide financial statements represents consolidated financial information.

##### **Fund Financial Statements**

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### **(2) Property Taxes**

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2-1/2 and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and transfers projected to be received by the City, including available surplus funds.

#### **(3) Deposits, Investments, and Securities Lending**

The Massachusetts General Laws (MGL) place limitations on the nature of deposits and investments that are available to the City. Deposits (including demand and term deposits) in any one financial institution may not exceed certain prescribed levels without collateralization or insurance protection by the financial institution involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of less than one year from the date of purchase, or in repurchase agreements having maturities of 90 days or less which are collateralized by such securities. The City also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth. The City's pension trust fund and certain other trust funds have expanded investment powers, including the ability to invest in equity securities, corporate bonds, and other specified investments.

The composition of the City's deposits and investments fluctuates throughout the year depending primarily on the timing of property tax receipts, water and sewer revenues, proceeds from borrowings, collections of state and federal aid, and capital outlays.

##### ***(a) Deposits and Investments of the City (excluding component units)***

##### **Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and to collateralize certain bank accounts. As of June 30, 2011, \$153,825 of the City's bank balance of \$176,811 was insured and collateralized with securities held by pledging financial institutions, and \$22,986 was uninsured and uncollateralized.



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### Investments Summary

The City's investments at June 30, 2011, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type                | Fair Value | Investment Maturities (in Years) |       |        |              |
|--------------------------------|------------|----------------------------------|-------|--------|--------------|
|                                |            | Less Than 1                      | 1 - 5 | 6 - 10 | More Than 10 |
| <u>Debt Securities:</u>        |            |                                  |       |        |              |
| U.S. Treasuries.....           | \$ 895     | 197                              | 350   | 295    | 53           |
| U.S. Agencies.....             | 3          | -                                | -     | -      | 3            |
| Corporate bonds.....           | 1,053      | 30                               | 848   | 109    | 66           |
| Money market mutual funds..... | 719        | 719                              | -     | -      | -            |
| Commercial paper.....          | 3,537      | 3,537                            | -     | -      | -            |
| Mutual bond funds.....         | 2,202      | 2,202                            | -     | -      | -            |
| Fixed income securities.....   | 825        | 825                              | -     | -      | -            |
| External investment pools..... | 19,539     | 19,539                           | -     | -      | -            |
| Total debt securities.....     | 28,773     | 27,049                           | 1,198 | 404    | 121          |
| <u>Other Investments:</u>      |            |                                  |       |        |              |
| Equity securities.....         | 3,017      |                                  |       |        |              |
| Equity mutual funds.....       | 1,953      |                                  |       |        |              |
| Total other investments.....   | 4,970      |                                  |       |        |              |
| Total investments.....         | \$ 33,743  |                                  |       |        |              |

### Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. Except for certain trust funds, the City does not have a policy for interest rate risk of debt securities since MGL limit the City's investments to U.S. backed securities that mature no more than one year from the initial investment date. Policies regarding interest rate risk for certain trust fund investments are identified in the individual trust agreements.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2011, none of the City's investments were exposed to custodial credit risk.

### Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. Except for certain trust funds, the City does not have a policy for credit risk of debt securities since MGL limits the City's investments to U.S. backed securities or AAA rated money market mutual funds. Policies regarding credit risk for certain trust fund investments are identified in the individual trust agreements. As of June 30, 2011, the credit quality ratings of the City's investment in debt securities are as follows:

| Quality<br>Ratings* | U.S.<br>Agencies** | Corporate<br>Bonds | Money<br>Market<br>Mutual<br>Funds | Commercial<br>Paper | Mutual<br>Bond<br>Funds | Fixed<br>Income<br>Securities | External<br>Investment<br>Pools | Totals |
|---------------------|--------------------|--------------------|------------------------------------|---------------------|-------------------------|-------------------------------|---------------------------------|--------|
| AAA.....            | \$ 3               | -                  | -                                  | 80                  | -                       | -                             | -                               | 83     |
| AA+.....            | -                  | 251                | -                                  | -                   | -                       | -                             | -                               | 251    |
| AA.....             | -                  | 37                 | -                                  | 97                  | -                       | -                             | -                               | 134    |
| AA-.....            | -                  | 17                 | -                                  | 215                 | -                       | -                             | -                               | 232    |
| A+.....             | -                  | 18                 | -                                  | 198                 | -                       | -                             | -                               | 216    |
| A.....              | -                  | 344                | -                                  | 283                 | -                       | -                             | -                               | 627    |
| A-.....             | -                  | 269                | -                                  | 396                 | -                       | -                             | -                               | 665    |
| BBB+.....           | -                  | 38                 | -                                  | 411                 | -                       | -                             | -                               | 449    |
| BBB.....            | -                  | 37                 | -                                  | 376                 | -                       | -                             | -                               | 413    |
| BBB-.....           | -                  | 42                 | -                                  | 279                 | -                       | -                             | -                               | 321    |
| BB+.....            | -                  | -                  | -                                  | 100                 | -                       | -                             | -                               | 100    |
| BB.....             | -                  | -                  | -                                  | 74                  | -                       | -                             | -                               | 74     |
| BB-.....            | -                  | -                  | -                                  | 112                 | -                       | -                             | -                               | 112    |
| Unrated....         | -                  | -                  | 719                                | 916                 | 2,202                   | 825                           | 19,539                          | 24,201 |
| Total.....          | \$ 3               | 1,053              | 719                                | 3,537               | 2,202                   | 825                           | 19,539                          | 27,878 |

\* Per the rating scale of Standard & Poors (a national credit rating organization)

\*\* Represents implicitly-guaranteed investments in U.S. Agencies only

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### *(b) Deposits and Investments of the WRS*

Deposits and investments made by the WRS are governed by the MGL Chapter 32. The WRS has the ability to invest in equity securities, corporate bonds, annuities and other specified investments in accordance with state laws and regulations.

#### Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution. As of December 31, 2010, the WRS's bank balance of \$741 was not exposed to custodial credit risk.

#### Investments Summary

The WRS's investments at December 31, 2010 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type                 | Fair Value | Investment Maturities (in Years) |        |        |              |
|---------------------------------|------------|----------------------------------|--------|--------|--------------|
|                                 |            | Less Than 1                      | 1 - 5  | 6 - 10 | More Than 10 |
| <u>Debt Securities:</u>         |            |                                  |        |        |              |
| U.S. Treasuries.....            | \$ 71,155  | 31,875                           | 19,303 | 8,895  | 11,082       |
| U.S. Agencies.....              | 23,593     | 402                              | 6,685  | 2,363  | 14,143       |
| Corporate bonds.....            | 51,613     | 9,023                            | 13,717 | 15,056 | 13,817       |
| Money market mutual funds.....  | 2,608      | 2,608                            | -      | -      | -            |
| Debt security mutual funds..... | 41,234     | 33,340                           | -      | -      | 7,894        |
| Total debt securities.....      | 190,203    | 77,248                           | 39,705 | 26,314 | 46,936       |
| <u>Other Investments:</u>       |            |                                  |        |        |              |
| Equity securities.....          | 45,985     |                                  |        |        |              |
| Equity mutual funds.....        | 304,418    |                                  |        |        |              |
| Real estate investments.....    | 74,863     |                                  |        |        |              |
| Alternative investments.....    | 123,457    |                                  |        |        |              |
| Total other investments.....    | 548,723    |                                  |        |        |              |
| Total investments.....          | \$ 738,926 |                                  |        |        |              |

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

**June 30, 2011**

**(In thousands of dollars)**

#### **Investments - Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The WRS's policies for interest rate risk intend that the average duration of investments remain fairly stable over time and be focused in the intermediate range. The WRS's debt security managers are not permitted to make large-scale changes in portfolio duration in an attempt to anticipate interest rate changes. However, they are permitted to shift portfolio duration within a limited range (defined by their guidelines) in an effort to enhance performance.

#### **Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2010, the WRS was not exposed to custodial credit risk.

#### **Investments - Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The WRS's policies for credit risk of debt securities sets minimum average quality requirements for investment strategies employed, among other limitations. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

As of December 31, 2010, the credit quality ratings of the WRS's debt securities are as follows:

| Quality Ratings * | Investment Type |                           |                            | Fair Value |
|-------------------|-----------------|---------------------------|----------------------------|------------|
|                   | Corporate Bonds | Money Market Mutual Funds | Debt Security Mutual Funds |            |
| AAA.....          | \$ 1,207        | -                         | 3,439                      | 4,646      |
| AA+.....          | 720             | -                         | -                          | 720        |
| AA.....           | 1,050           | -                         | -                          | 1,050      |
| AA-.....          | 418             | -                         | 40                         | 458        |
| A+.....           | 118             | -                         | 424                        | 542        |
| A.....            | 2,997           | -                         | -                          | 2,997      |
| A-.....           | 3,669           | -                         | 163                        | 3,832      |
| BBB+.....         | 2,673           | -                         | -                          | 2,673      |
| BBB.....          | 2,306           | -                         | 155                        | 2,461      |
| BBB-.....         | 1,980           | -                         | -                          | 1,980      |
| BB+.....          | 1,269           | -                         | -                          | 1,269      |
| BB.....           | 2,033           | -                         | -                          | 2,033      |
| BB-.....          | 2,620           | -                         | 65                         | 2,685      |
| B+.....           | 5,562           | -                         | 77                         | 5,639      |
| B.....            | 4,709           | -                         | -                          | 4,709      |
| B-.....           | 2,976           | -                         | 22                         | 2,998      |
| CCC+.....         | 1,664           | -                         | -                          | 1,664      |
| CCC.....          | 1,528           | -                         | 648                        | 2,176      |
| CCC-.....         | 899             | -                         | -                          | 899        |
| CC.....           | -               | -                         | 169                        | 169        |
| D.....            | 171             | -                         | 149                        | 320        |
| Unrated.....      | 11,044          | 2,608                     | 35,883                     | 49,535     |
| Total.....        | \$ 51,613       | 2,608                     | 41,234                     | 95,455     |

\* Per the rating scale of Standard & Poors, a national credit rating organization

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2010, the WRS's exposure to foreign currency risk is as follows:

| <u>Deposit/Investment Type</u> | <u>U.S. Dollar<br/>Balances</u> | <u>Currency</u>   |
|--------------------------------|---------------------------------|-------------------|
| Corporate bonds.....           | \$ 855                          | Indonesian rupiah |
| U.S. Agencies.....             | 803                             | Mexican peso      |
| Corporate bonds.....           | 682                             | South Korean won  |
| U.S. Agencies.....             | 597                             | Philippine peso   |
| Corporate bonds.....           | 269                             | Australian dollar |
| U.S. Agencies.....             | 182                             | Euro              |
| Corporate bonds.....           | 180                             | Indian rupee      |
| Corporate bonds.....           | 151                             | Brazilian real    |
| U.S. Agencies.....             | 131                             | Indonesian rupiah |
| Corporate bonds.....           | 115                             | Euro              |
| Total.....                     | <u>\$ 3,965</u>                 |                   |

#### Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the WRS's investment in a single issuer. The WRS's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2010, the WRS was not exposed to concentration of credit risk.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### *(c) Deposits and Investments of the District*

State and local statutes place certain limitations on the nature of deposits and investments available to the District.

#### Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250 of deposits held at each financial institution and collateralize the remaining amounts. At June 30, 2011, the District's deposits were fully insured and collateralized.

#### Investments Summary

The District's investments at June 30, 2011, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

| Investment Type           | Fair Value      | Investment Maturities (in Years) |              |          |
|---------------------------|-----------------|----------------------------------|--------------|----------|
|                           |                 | Less Than 1                      | 1 - 5        | 6 - 10   |
| <u>Debt Securities:</u>   |                 |                                  |              |          |
| U.S. Treasuries           | \$ 483          | 76                               | 407          | -        |
| U.S. Agencies             | <u>1,497</u>    | <u>519</u>                       | <u>977</u>   | <u>1</u> |
| Total debt securities     | <u>1,980</u>    | <u>595</u>                       | <u>1,384</u> | <u>1</u> |
| <u>Other Investments:</u> |                 |                                  |              |          |
| Equity securities         | <u>1,601</u>    |                                  |              |          |
| Total investments         | \$ <u>3,581</u> |                                  |              |          |

#### Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The District's policies for interest rate risk permit the investment manager discretion to recommend a duration that is pegged at the Shearson Lehman Intermediate Treasury Benchmark. The portfolio's duration may be shorter or longer than the benchmark depending upon the investment manager's interest rate forecast. The benchmark duration averages 3.5 years. Deviation of the portfolio's duration to the benchmark typically will not exceed two years.

## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

**June 30, 2011**

**(In thousands of dollars)**

#### **Investments - Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure by the custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is required to custody securities in depository accounts (at a depository trust company or Federal Reserve Bank), which are not subject to the bank's creditor claims. As of June 30, 2011, none of the District's investments were subject to custodial credit risk.

#### **Investments - Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District's policies for credit risk of debt securities restricts investment to debt obligations maintaining a AAA rating by Standard & Poors or Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2011, the credit quality ratings of the District's U.S. Treasury and U.S. Agency investments were AAA rated or backed by the full faith of the U.S. Treasury.

#### **Investments – Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. Obligations of the U.S. Treasury, U.S. government agencies and money market funds are exempted from this restriction. As of June 30, 2011, the District had no investments with a single issuer that represented 5 percent or more of the District's total investments.

#### ***(d) Deposits of the WRA***

State and local statutes place certain limitations on the nature of deposits and investments available to the WRA.

#### **Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRA's deposits may not be recovered. The WRA does not have a policy for custodial credit risk of deposits. As of June 30, 2011, WRA's bank balance of \$186 was not exposed to custodial credit risk.

#### ***(e) Securities Lending***

The Massachusetts Division of Public Employee Retirement Administration Commission (PERAC) has issued supplemental regulations that permit WRS to engage in securities lending transactions. These transactions are conducted by one of WRS's brokers, who lend certain securities owned by WRS to other broker-dealers and banks pursuant to a form of loan agreement. WRS and the borrowers maintain the right to terminate all securities lending transactions on demand.



## **CITY OF WORCESTER, MASSACHUSETTS**

### **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

The custodian lends, at the direction of the lending agent, WRS's securities and cash received (including both U.S. and foreign currency), U.S. Government securities, sovereign debt of foreign countries and irrevocable bank letters of credit as collateral. The lending agent does not have the ability to pledge or sell collateral securities delivered unless the borrower defaults. Borrowers are required to deliver cash collateral in amounts equal to not less than 105% of the market value of foreign securities on loan and 102% of the market value if domestic securities on loan (Required Collateral Level). If at any time the market value of the collateral for any loan decreases to 100% or less of the market value of the loaned securities borrowers are required to provide additional collateral sufficient to increase the market value of the collateral to at least the Required Collateral Level.

WRS does not impose any restrictions on the amount of securities lent on its behalf by the lending agent. There were no failures by any borrowers to return loaned securities or pay distributions thereon, nor were there any losses from default of the borrowers or the lending agent for the year ended December 31, 2010. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The relationship between the average maturities of the investment pool and loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which WRS could not determine. At December 31, 2010, WRS had no credit risk exposure to borrowers because the amounts WRS owed the borrowers exceeded the amounts owed to WRS. The cash collateral held and the fair value of securities on loan for WRS at December 31, 2010 and 2009 was \$57,161 and \$51,212 and \$67,088 and \$66,611, respectively. Borrower rebates and fees paid to the broker were \$106 for the year ended December 31, 2010.

#### **(4) City of Worcester Contributory Retirement System (WRS or the Plan)**

##### **(a) *Plan Description and Membership***

The City provides pension benefits to certain employees through WRS, a cost-sharing, multiple-employer public employee retirement system regulated by PERAC. WRS is a defined benefit pension plan that covers eligible employees of the City (which includes the Worcester Redevelopment Authority) and the Worcester Housing Authority. For the year ended December 31, 2010, the City's payroll for employees covered by WRS was approximately \$157,721; the City's total payroll was approximately \$303,000.

Membership in WRS is mandatory immediately upon commencement of employment for all permanent, full-time employees working at least 20 hours weekly, except for (1) employees eligible to participate in the Massachusetts Teachers' Retirement System (as discussed in note 5); and (2) employees of the District, who are covered by the state Retirement System. Disclosures applicable to the District's retirement plan are not material.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Membership in WRS was as follows at December 31, 2010:

|                                       |                     |
|---------------------------------------|---------------------|
| Active employees                      | 3,208               |
| Pensioners and beneficiaries          | 2,798               |
| Inactive employees with vested rights | <u>803</u>          |
| Total members                         | <u><u>6,809</u></u> |
| Number of participating employers     | <u><u>2</u></u>     |

**(b) Significant Plan Provisions and Requirements**

Benefit provisions and contribution requirements of WRS are established by state law.

Members of WRS become vested after 10 years of creditable service. Normal retirement occurs at age 65 except for special situations and the City's police officers and firefighters, whose normal retirement age is 55. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance.

The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

**(c) Funding Policy**

Chapter 32 of MGL governs the contributions of plan members and the City. Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$1,726 for the fiscal year ended June 30, 2011 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

The current and two preceding years' apportionment of the annual required contributions between the employers required the City to contribute approximately 92%, 92%, and 91% respectively of the total.

### (d) *Annual Pension Cost*

For the year ended June 30, 2011 the required and actual contribution was \$27,277. For the year ended June 30, 2010 the required and actual contribution was \$26,117 and for the year ended June 30, 2009 the required and actual contribution was \$22,742. At June 30, 2011, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2011, actuarial valuation using the entry age normal actuarial cost method.

### (e) *Funded Status and Funding Progress*

The funded status of the WRS at January 1, 2011, the most recent actuarial valuation date, is as follows:

| Schedule of funding progress   |                                      |                                   |   |                 |                    |   |
|--------------------------------|--------------------------------------|-----------------------------------|---|-----------------|--------------------|---|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of Plan<br>Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>Actuarial<br>Accrued<br>Liability | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percent of<br>Covered<br>Payroll (%) |
|                                | (a)                                  | (b)                               | (b - a)                                       | (a/b)           | (c)                | (b - a)/c   |
| 1/1/2011                       | \$ 724,998                           | 1,025,076                         | 300,078                                       | 70.73%          | \$ 157,721         | 190.26%   |

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### (f) *Methods and Assumptions*

The significant methods and assumptions as of the latest actuarial valuation are as follows:

|  |   |
|--|---|
| Valuation date                                   | January 1, 2011   |
| Actuarial cost method                            | Entry Age Normal Cost Method  |
| Amortization method                              | Level payments on the 2002, 2003 and 2010 ERI liability and the Section 90 ACD liability and 4.0% increasing payments on the remaining unfunded liability beginning in fiscal year 2014   |
| Remaining amortized period<br>(period is closed) | 7 years for the 2002 ERI liability<br>1 year for the 2003 ERI liability<br>10 years for the 2010 ERI liability<br>3 years for the Section 90 ACD liability and<br>24 years for the remaining unfunded liability<br>24 years is the equivalent single amortization period (ESAP) |
| Asset valuation method                           | The difference between the expected return and the actual investment return on a market value basis recognized over a five-year period  |

#### Actuarial assumptions

|                            |  |
|----------------------------|--|
| Investment rate of return  | 8.00%  |
| Projected salary increases | 4.75%  |
| Rate of inflation          | 3.75%  |
| Cost of living adjustments | 3.00% of the first \$12 of retirement income |

### (g) *Legally Required Reserve Accounts*

The balances in WRS's legally required reserves as of December 31, 2010 are as follows:

| <u>Description</u>    | <u>Amount</u>     | <u>Purpose</u>  |
|-----------------------|-------------------|---|
| Annuity Savings Fund  | \$ 158,761        | Active members' contribution balance                    |
| Annuity Reserve Fund  | 57,353            | Retired members' contribution account                   |
| Military Service Fund | 16                | Members' contribution account while on military leave   |
| Pension Reserve Fund  | 433,574           | Amounts appropriated to fund future retirement benefits |
| Pension Fund          | <u>32,197</u>     | Remaining net assets                                    |
| Total                 | <u>\$ 681,901</u> |   |

All reserve accounts are funded at levels required by state law.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### **(5) Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan**

##### **(a) Plan Description**

Teachers, certain administrators, and other professionals of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City's payroll covered by this plan in fiscal 2011 was approximately \$156,800. Eligibility requirements for participation are as follows:

- The employee must be employed on at least a half-time basis in a contracted professional position within a public school system located in Massachusetts.
- The employee must be certified by the Massachusetts Department of Education for a position, which requires certification.

Benefit provisions and contribution requirements are established by state law.

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years of service, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest consecutive salaried years of employee service and are determined in a manner similar to the provisions of WRS (see note 4). MGL Chapter 114 of the Acts of 2000 allows for all eligible members of the Massachusetts Teachers' Retirement System to contribute at a flat 11% rate as of July 1, 2001 in order to receive a retirement benefit enhancement. This benefit enhancement requires a minimum of five years of contribution at this 11% rate and at least thirty years of creditable service in order to receive accelerated retirement benefits up to the statutory maximum of 80%. Contribution at this 11% was voluntary for existing members of the retirement system and is mandated to all new members as of July 1, 2001.

The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The amount of these on-behalf payments from the Commonwealth totaled \$52,395 for the fiscal year ended June 30, 2011 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### (6) Other Postemployment Benefits (OPEB)

##### (a) Plan Description - City

In addition to the pension benefits described in notes 4 and 5, the City provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries through a single-employer plan (hereinafter referred to as the "Plan") in accordance with MGL Chapter 32B under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state law, and City ordinance. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans, while the City partially self-funds the claims for the remaining plans. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2009, the latest actuarial valuation, is as follows:

|   |                     |
|---|---------------------|
| Active employees                                | 4,349               |
| Retired employees, beneficiaries and dependents | <u>4,809</u>        |
| Total   | <u><u>9,158</u></u> |

##### (b) Funding Policy - City

The contribution requirements of Plan members and the City are established and may be amended by the City. Twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. The City contributes 100% towards a \$5 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

##### (c) Annual OPEB Cost and Net OPEB Obligation - City

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

The following table shows the components of the City's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City's net OPEB obligation:

|  | <u>Amount</u>            |
|--|--------------------------|
| Annual required contribution               | \$ 53,369                |
| Interest on net OPEB obligation            | 5,123                    |
| Adjustment to annual required contribution | <u>(4,744)</u>           |
| Annual OPEB cost                           | 53,748                   |
| Contributions made                         | <u>(21,821)</u>          |
|  |                          |
| Increase in net OPEB obligation            | 31,927                   |
| Net OPEB obligation at beginning of year   | <u>128,086</u>           |
|  |                          |
| Net OPEB obligation at end of year         | <u><u>\$ 160,013</u></u> |

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

| <u>Fiscal Year<br/>Ending</u> | <u>Annual<br/>OPEB Cost<br/>(AOPEBC)</u> | <u>Percentage<br/>of AOPEBC<br/>Contributed (%)</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|-------------------------------|--|---|------------------------------------|
| June 30, 2009                 | \$ 70,357                                | 27.7  | \$ 95,316                          |
| June 30, 2010                 | 53,368                                   | 38.6  | 128,086                            |
| June 30, 2011                 | 53,748                                   | 40.6  | 160,013                            |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### (d) *Funded Status and Funding Progress - City*

The funded status of the Plan at July 1, 2009, the most recent actuarial valuation, was as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Projected Unit<br>Credit<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 07/01/09                       | \$ -                                   | \$ 765,312   | \$ 765,312                         | 0.0%                     | \$ 302,802                | 253%  |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### (e) *Methods and Assumptions - City*

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

|                                       |   |
|---------------------------------------|---|
| Valuation date:                       | July 1, 2009  |
| Actuarial cost method:                | Projected Unit Credit   |
| Amortization method:                  | Level percent of pay, closed  |
| Remaining amortization period:        | 28 years as of July 1, 2009   |
| Interest discount and inflation rate: | 4.0%  |
| Healthcare/Medical cost trend rate:   | 10.0% decreasing by 0.5% for 10 years to an ultimate level of 5.0% per year |



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### *(f) Allocation of AOPEBC - City*

AOPEBC costs were allocated to the City's functions as follows:

|   |                  |
|---|------------------|
| <b>Governmental Activities:</b>         |                  |
| General government                      | \$ 3,630         |
| Public safety                           | 10,119           |
| Health and human services               | 372              |
| Education                               | 35,300           |
| Public works                            | 1,613            |
| Culture and recreation                  | <u>1,226</u>     |
| Total AOPEBC - governmental activities  | <u>52,260</u>    |
| <b>Business-Type Activities:</b>        |                  |
| Water                                   | 993              |
| Sewer                                   | 473              |
| Golf                                    | <u>22</u>        |
| Total AOPEBC - business-type activities | <u>1,488</u>     |
| Total AOPEBC                            | <u>\$ 53,748</u> |

### *(g) Plan Description – The District*

The District provides health and life insurance benefits to retired employees and their survivors through the Commonwealth's Group Insurance Commission (GIC), a cost-sharing multiple employer plan (hereinafter referred to as the "Plan"). Specific benefit provisions and contribution rates are established by GIC. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2011, the latest actuarial valuation, is as follows:

|   |           |
|---|-----------|
| Active employees                                | 52        |
| Retired employees, beneficiaries and dependents | <u>14</u> |
| Total   | <u>66</u> |

**CITY OF WORCESTER, MASSACHUSETTS**

**Notes to the Basic Financial Statements**

**June 30, 2011**

**(In thousands of dollars)**

**(h) Funding Policy – The District**

The contribution requirements of Plan members and the District are established and may be amended by GIC. Ten to fifteen percent of contributions are paid by retirees. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the District.

**(i) Annual OPEB Cost and Net OPEB Obligation – The District**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the District's net OPEB obligation:

|  | <u>Amount</u>          |
|--|------------------------|
| Annual required contribution               | \$ 520                 |
| Interest on net OPEB obligation            | 37                     |
| Adjustment to annual required contribution | <u>(33)</u>            |
| Annual OPEB cost                           | 524                    |
| Contributions made                         | <u>(120)</u>           |
|  |                        |
| Increase in net OPEB obligation            | 404                    |
| Net OPEB obligation at beginning of year   | <u>1,064</u>           |
|  |                        |
| Net OPEB obligation at end of year         | <u><u>\$ 1,468</u></u> |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

| <u>Fiscal Year<br/>Ending</u> | <u>Annual<br/>OPEB Cost<br/>(AOPEBC)</u> | <u>Percentage<br/>of AOPEBC<br/>Contributed (%)</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|-------------------------------|--|---|------------------------------------|
| June 30, 2009*                | \$ 676                                   | 23.3  | \$ 518                             |
| June 30, 2010                 | 711                                      | 23.2  | 1,064                              |
| June 30, 2011                 | 524                                      | 22.9  | 1,468                              |

\* Transition year

### (j) *Funded Status and Funding Progress – The District*

The funded status of the Plan at June 30, 2011, the most recent actuarial valuation, was as follows:

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(A)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>(B)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(B-A)</u> | <u>Funded<br/>Ratio<br/>(A/B)</u> | <u>Covered<br/>Payroll<br/>(C)</u> | <u>UAAL as a<br/>Percentage<br/>of Payroll<br/>((B-A)/C)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 06/30/11                                | \$ -   | \$ 11,623  | \$ 11,623                                    | 0.0%                              | \$ 3,173                           | 366%   |

### (k) *Methods and Assumptions – The District*

The significant methods and assumptions as of the latest actuarial valuation are as follows:

|                                     |  |
|-------------------------------------|--|
| Valuation date:                     | June 30, 2011  |
| Actuarial cost method:              | Projected Unit Credit  |
| Amortization method:                | Level percent of pay assuming 4.0% increasing, opening basis     |
| Remaining amortization period:      | 30 years as of July 1, 2010 (open)                               |
| Interest discount rate:             | 3.5%   |
| Inflation rate:                     | 4.0%   |
| Healthcare/Medical cost trend rate: | 8.5% decreasing by 0.5% for 7 years to an ultimate level of 5.0% |

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

**(7) Accounts Receivable**

At June 30, 2011, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

|                            | <u>Gross<br/>Amount</u> | <u>Allowance<br/>for<br/>Uncollectibles</u> | <u>Net<br/>Amount</u> |
|----------------------------|-------------------------|---|-----------------------|
| <u>Receivables:</u>        |                         |   |                       |
| Property taxes             | \$ 7,315                | (2,590)                                     | 4,725                 |
| Tax liens                  | 4,375                   | (423)                                       | 3,952                 |
| Motor vehicle excise taxes | 5,850                   | (3,639)                                     | 2,211                 |
| Special assessments        | 1,987                   | -   | 1,987                 |
| Departmental and other     | 8,746                   | (3,171)                                     | 5,575                 |
| Intergovernmental          | <u>91,339</u>           | <u>-</u>                                    | <u>91,339</u>         |
|                            | <u>\$ 119,612</u>       | <u>(9,823)</u>                              | <u>109,789</u>        |

At June, 30, 2011, receivables for the enterprise funds are as follows:

|                      | <u>Gross<br/>Amount</u> | <u>Allowance<br/>for<br/>Uncollectibles</u> | <u>Net<br/>Amount</u> |
|----------------------|-------------------------|---|-----------------------|
| <u>Receivables:</u>  |                         |   |                       |
| Charges for services | \$ 11,793               | -   | 11,793                |
| Utility liens        | 1,974                   | -   | 1,974                 |
| Special assessments  | 477                     | -   | 477                   |
| Intergovernmental    | <u>1,199</u>            | <u>-</u>                                    | <u>1,199</u>          |
|                      | <u>\$ 15,443</u>        | <u>-</u>                                    | <u>15,443</u>         |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred revenue reported in the governmental funds:

|   | General          | Other        |               |
|---|------------------|--------------|---------------|
|   | Fund             | Governmental |               |
| Receivable Type:                            |                  | Funds        | Total         |
| Property taxes                              | \$ 2,619         | -            | 2,619         |
| Tax liens                                   | 3,952            | -            | 3,952         |
| Motor vehicle excise taxes                  | 1,579            | -            | 1,579         |
| Special assessments                         | 1,987            | -            | 1,987         |
| Departmental and other                      | 2,088            | 663          | 2,751         |
| Intergovernmental (school construction)     | 84,274           | -            | 84,274        |
| Intergovernmental (other state and federal) | 1,405            | -            | 1,405         |
|   | <u>\$ 97,904</u> | <u>663</u>   | <u>98,567</u> |

The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2011, \$16,113 of such assistance was received. Approximately \$106,794 will be received in future fiscal years. Of this amount, \$22,520 represents reimbursement of long-term interest costs, and \$84,274 represents reimbursement of approved construction costs. Accordingly, an \$84,274 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### (8) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

#### *Primary Government*

|   | <u>Beginning<br/>balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental activities:                    |                              |                  |                  |                           |
| Capital assets, not being depreciated       |                              |                  |                  |                           |
| Land  | \$ 18,194                    | 2,600            | 478              | 20,316                    |
| Construction in progress                    | 59,943                       | 50,133           | 10,557           | 99,519                    |
| Total capital assets not being depreciated  | <u>78,137</u>                | <u>52,733</u>    | <u>11,035</u>    | <u>119,835</u>            |
| Capital assets, being depreciated:          |                              |                  |                  |                           |
| Buildings                                   | 497,839                      | 5,552            | -                | 503,391                   |
| Improvements other than buildings           | 25,619                       | 8,169            | -                | 33,788                    |
| Rolling equipment                           | 26,158                       | 860              | -                | 27,018                    |
| Equipment and other                         | 14,790                       | 80               | -                | 14,870                    |
| Infrastructure                              | 174,041                      | 14,287           | -                | 188,328                   |
|   | <u>738,447</u>               | <u>28,948</u>    | <u>-</u>         | <u>767,395</u>            |
| Less accumulated depreciation for:          |                              |                  |                  |                           |
| Buildings                                   | 178,259                      | 14,910           | -                | 193,169                   |
| Improvements other than buildings           | 5,441                        | 1,387            | -                | 6,828                     |
| Rolling equipment                           | 20,440                       | 1,025            | -                | 21,465                    |
| Equipment and other                         | 12,021                       | 751              | -                | 12,772                    |
| Infrastructure                              | 85,134                       | 7,838            | -                | 92,972                    |
|   | <u>301,295</u>               | <u>25,911</u>    | <u>-</u>         | <u>327,206</u>            |
| Total capital assets being depreciated, net | <u>437,152</u>               | <u>3,037</u>     | <u>-</u>         | <u>440,189</u>            |
| Governmental capital assets, net            | <u>\$ 515,289</u>            | <u>55,770</u>    | <u>11,035</u>    | <u>560,024</u>            |

Depreciation expense was charged to functions/programs of the primary government as follows:

|   |                  |
|---|------------------|
| Governmental activities:                                |                  |
| General government                                      | \$ 89            |
| Public safety   | 1,382            |
| Public works  | 9,653            |
| Education   | 9,372            |
| Health and human services                               | 217              |
| Culture and recreation                                  | <u>5,198</u>     |
| Total depreciation expense –<br>governmental activities | <u>\$ 25,911</u> |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

|   | <u>Beginning<br/>balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Business-type activities:                       |                              |                  |                  |                           |
| Water:  |                              |                  |                  |                           |
| Capital assets, not being depreciated           |                              |                  |                  |                           |
| Land  | \$ 4,929                     | 115              | -                | 5,044                     |
| Construction in progress                        | 333                          | 608              | 111              | 830                       |
| Total capital assets,<br>not being depreciated  | <u>5,262</u>                 | <u>723</u>       | <u>111</u>       | <u>5,874</u>              |
| Capital assets, being depreciated:              |                              |                  |                  |                           |
| Buildings                                       | 39,819                       | 78               | -                | 39,897                    |
| Rolling equipment                               | 2,255                        | 168              | -                | 2,423                     |
| Infrastructure                                  | 135,631                      | 3,832            | -                | 139,463                   |
| Equipment and other                             | 255                          | -                | -                | 255                       |
| Total capital assets,<br>being depreciated      | <u>177,960</u>               | <u>4,078</u>     | <u>-</u>         | <u>182,038</u>            |
| Less accumulated depreciation for:              |                              |                  |                  |                           |
| Buildings                                       | 15,386                       | 1,043            | -                | 16,429                    |
| Rolling equipment                               | 1,533                        | 131              | -                | 1,664                     |
| Infrastructure                                  | 49,299                       | 4,384            | -                | 53,683                    |
| Equipment and other                             | 91                           | 21               | -                | 112                       |
| Total accumulated depreciation                  | <u>66,309</u>                | <u>5,579</u>     | <u>-</u>         | <u>71,888</u>             |
| Total capital assets, being<br>depreciated, net | <u>111,651</u>               | <u>(1,501)</u>   | <u>-</u>         | <u>110,150</u>            |
| Water capital assets, net                       | <u>116,913</u>               | <u>(778)</u>     | <u>111</u>       | <u>116,024</u>            |
| Sewer:  |                              |                  |                  |                           |
| Capital assets, not being depreciated           |                              |                  |                  |                           |
| Land  | 117                          | -                | -                | 117                       |
| Construction in progress                        | 3,174                        | 1,085            | 311              | 3,948                     |
| Total capital assets,<br>not being depreciated  | <u>3,291</u>                 | <u>1,085</u>     | <u>311</u>       | <u>4,065</u>              |
| Capital assets, being depreciated:              |                              |                  |                  |                           |
| Buildings                                       | 3,940                        | -                | -                | 3,940                     |
| Rolling equipment                               | 4,772                        | 307              | -                | 5,079                     |
| Infrastructure                                  | 153,143                      | 3,859            | -                | 157,002                   |
| Equipment and other                             | 319                          | 107              | -                | 426                       |
| Total capital assets,<br>being depreciated      | <u>162,174</u>               | <u>4,273</u>     | <u>-</u>         | <u>166,447</u>            |
| Less accumulated depreciation for:              |                              |                  |                  |                           |
| Buildings                                       | 1,394                        | 143              | -                | 1,537                     |
| Rolling equipment                               | 2,476                        | 383              | -                | 2,859                     |
| Infrastructure                                  | 65,498                       | 4,900            | -                | 70,398                    |
| Equipment and other                             | 113                          | 36               | -                | 149                       |
| Total accumulated depreciation                  | <u>69,481</u>                | <u>5,462</u>     | <u>-</u>         | <u>74,943</u>             |
| Total capital assets, being<br>depreciated, net | <u>92,693</u>                | <u>(1,189)</u>   | <u>-</u>         | <u>91,504</u>             |
| Sewer capital assets, net                       | <u>\$ 95,984</u>             | <u>(104)</u>     | <u>311</u>       | <u>95,569</u>             |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

|   | <u>Beginning<br/>balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Airport:  |                              |                  |                  |                           |
| Capital assets, not being depreciated           |                              |                  |                  |                           |
| Land  | \$ 106                       | -                | 106              | -                         |
| Construction in progress                        | 95                           | -                | 95               | -                         |
| Total capital assets,<br>not being depreciated  | 201                          | -                | 201              | -                         |
| Capital assets, being depreciated:              |                              |                  |                  |                           |
| Buildings                                       | 17,376                       | -                | 17,376           | -                         |
| Rolling equipment                               | 770                          | -                | 770              | -                         |
| Infrastructure                                  | 37,334                       | -                | 37,334           | -                         |
| Equipment and other                             | 433                          | -                | 433              | -                         |
| Total capital assets,<br>being depreciated      | 55,913                       | -                | 55,913           | -                         |
| Less accumulated depreciation for:              |                              |                  |                  |                           |
| Buildings                                       | 6,737                        | -                | 6,737            | -                         |
| Rolling equipment                               | 723                          | -                | 723              | -                         |
| Infrastructure                                  | 14,772                       | -                | 14,772           | -                         |
| Equipment and other                             | 397                          | -                | 397              | -                         |
| Total accumulated depreciation                  | 22,629                       | -                | 22,629           | -                         |
| Total capital assets, being<br>depreciated, net | 33,284                       | -                | 33,284           | -                         |
| Airport capital assets, net                     | 33,485                       | -                | 33,485           | -                         |
| Golf course (nonmajor):                         |                              |                  |                  |                           |
| Capital assets, not being depreciated           |                              |                  |                  |                           |
| Construction in progress                        | 33                           | 8                | 33               | 8                         |
| Capital assets, being depreciated:              |                              |                  |                  |                           |
| Buildings                                       | 966                          | -                | -                | 966                       |
| Infrastructure                                  | 1,462                        | 175              | -                | 1,637                     |
| Total capital assets,<br>being depreciated      | 2,428                        | 175              | -                | 2,603                     |
| Less accumulated depreciation for:              |                              |                  |                  |                           |
| Buildings                                       | 142                          | 46               | -                | 188                       |
| Infrastructure                                  | 470                          | 82               | -                | 552                       |
| Total accumulated depreciation                  | 612                          | 128              | -                | 740                       |
| Total capital assets, being<br>depreciated, net | 1,816                        | 47               | -                | 1,863                     |
| Golf capital assets, net                        | 1,849                        | 55               | 33               | 1,871                     |
| Business-type activities<br>capital assets, net | \$ 248,231                   | (827)            | 33,940           | 213,464                   |



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

|   | <u>Beginning<br/>balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Discretely presented component<br>units - The District: |                              |                  |                  |                           |
| Capital assets, not being depreciated                   |                              |                  |                  |                           |
| Land  | \$ 702                       | -                | -                | 702                       |
| Construction in progress                                | 6,865                        | 13,605           | 693              | 19,777                    |
| Total capital assets,<br>not being depreciated          | 7,567                        | 13,605           | 693              | 20,479                    |
| Capital assets, being depreciated:                      |                              |                  |                  |                           |
| Treatment facilities                                    | 210,959                      | 674              | -                | 211,633                   |
| Equipment and other                                     | 4,094                        | 233              | -                | 4,327                     |
| Total capital assets,<br>being depreciated              | 215,053                      | 907              | -                | 215,960                   |
| Less accumulated depreciation for:                      |                              |                  |                  |                           |
| Treatment facilities                                    | 41,347                       | 7,697            | -                | 49,044                    |
| Equipment and other                                     | 3,208                        | 205              | -                | 3,413                     |
| Total accumulated depreciation                          | 44,555                       | 7,902            | -                | 52,457                    |
| Total capital assets, being<br>depreciated, net         | 170,498                      | (6,995)          | -                | 163,503                   |
| The District's capital assets, net                      | 178,065                      | 6,610            | 693              | 183,982                   |
| Discretely presented component<br>units - WRA:          |                              |                  |                  |                           |
| Capital assets, not being depreciated                   |                              |                  |                  |                           |
| Land  | \$ 1,270                     | -                | -                | 1,270                     |
| Construction in progress                                | 92                           | 116              | 196              | 12                        |
| Total capital assets,<br>not being depreciated          | 1,362                        | 116              | 196              | 1,282                     |
| Capital assets, being depreciated:                      |                              |                  |                  |                           |
| Buildings   | 39,962                       | 235              | -                | 40,197                    |
| Equipment and other                                     | 176                          | -                | -                | 176                       |
| Total capital assets,<br>being depreciated              | 40,138                       | 235              | -                | 40,373                    |
| Less accumulated depreciation for:                      |                              |                  |                  |                           |
| Buildings   | 8,819                        | 1,047            | -                | 9,866                     |
| Equipment and other                                     | 98                           | 5                | -                | 103                       |
| Total accumulated depreciation                          | 8,917                        | 1,052            | -                | 9,969                     |
| Total capital assets, being<br>depreciated, net         | 31,221                       | (817)            | -                | 30,404                    |
| WRA capital assets, net                                 | 32,583                       | (701)            | 196              | 31,686                    |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### *Construction Commitments*

The City has active construction projects as of June 30, 2011. The projects include new school construction, land improvements, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows.

| <b>Project</b>              | <b>Spent through<br/>June 30, 2011</b> | <b>Remaining<br/>commitment</b> |
|-----------------------------|--|---------------------------------|
| New school construction     | \$ 48,079                              | 6,895                           |
| Infrastructure improvements | 8,583                                  | 97,417                          |
| Building improvements       | 1,429                                  | 25,367                          |
| Land improvements           | 285                                    | 98                              |
| Total                       | \$ 58,376                              | 129,777                         |

The commitments for the aforementioned projects are being funded by general obligation bonds.

### **(9) Invested in Capital Assets, Net of Related Debt**

Invested in capital assets, net of related debt at June 30, 2011 is summarized as follows:

#### *Governmental Activities*

|  |            |
|--|------------|
| Capital assets                                   | \$ 887,230 |
| Less accumulated depreciation                    | (327,206)  |
| Less outstanding long-term debt                  | (466,807)  |
| Less outstanding temporary debt                  | (30,843)   |
| Add outstanding debt that is not capital related | 206,339    |
| Add unspent proceeds of capital related debt     | 11,956     |
| Invested in capital assets, net of related debt  | \$ 280,669 |

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

***Business-Type Activities***

|   | <u>Water</u>     | <u>Sewer</u>  | <u>Golf<br/>Course<br/>(Nonmajor)</u> | <u>Total<br/>Enterprise Funds/<br/>Business-Type<br/>Activities</u> |
|---|------------------|---------------|---------------------------------------|---|
| Capital assets                                  | \$ 187,912       | 170,512       | 2,611                                 | 361,035   |
| Less accumulated depreciation                   | (71,888)         | (74,943)      | (740)                                 | (147,571)   |
| Less outstanding long-term debt                 | (70,603)         | (53,441)      | (2,022)                               | (126,066)   |
| Less outstanding temporary debt                 | (3,405)          | (6,760)       | (75)                                  | (10,240)  |
| Add unspent proceeds of capital related debt    | <u>3,449</u>     | <u>7,013</u>  | <u>88</u>                             | <u>10,550</u>   |
| Invested in capital assets, net of related debt | <u>\$ 45,465</u> | <u>42,381</u> | <u>(138)</u>                          | <u>87,708</u>   |

**(10) Operating Leases**

The City occasionally leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$153 for the year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

|                      | <u>Amount</u>   |
|----------------------|-----------------|
| Year ending June 30: |                 |
| 2012                 | \$ 146          |
| 2013                 | 146             |
| 2014                 | 146             |
| 2015                 | 146             |
| 2016                 | 146             |
| 2017                 | 146             |
| 2018                 | <u>146</u>      |
| Total                | <u>\$ 1,022</u> |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### (11) Long-Term Obligations

#### (a) Primary Government

The following is a summary of changes in noncurrent governmental bond principal and other long-term obligations, including portions due within one year, as reported in the statement of net assets.

|  | Interest<br>percentage<br>range | Outstanding<br>beginning<br>of year | Additions      | Reductions    | Outstanding<br>end<br>of year | Due within<br>one year |
|--|---------------------------------|-------------------------------------|----------------|---------------|-------------------------------|------------------------|
| General obligation bonds:                      |                                 |                                     |                |               |                               |                        |
| Inside debt limit                              | (2.00%-8.00%)                   | \$ 124,907                          | 28,609         | 16,116        | 137,400                       | 16,756                 |
| Outside debt limit                             | (2.00%-8.50%)                   | 338,178                             | 9,317          | 22,594        | 324,901                       | 19,393                 |
| Notes payable – Section 108                    | (2.31%-6.01%)                   | 4,608                               | -              | 103           | 4,505                         | 109                    |
| Judgments and claims                           |                                 | 14,812                              | 265            | 3,958         | 11,119                        | 2,115                  |
| Compensated absences                           |                                 | 12,787                              | 8,781          | 8,624         | 12,944                        | 8,584                  |
| Landfill closure and<br>postclosure care costs |                                 | 2,968                               | -              | 94            | 2,874                         | -                      |
| Other post employment benefits                 |                                 | 124,515                             | 52,260         | 20,747        | 156,028                       | -                      |
| Deferred amounts on bond<br>premium            |                                 | 3,379                               | 832            | 825           | 3,386                         | 825                    |
|  |                                 | <u>\$ 626,154</u>                   | <u>100,064</u> | <u>73,061</u> | <u>653,157</u>                | <u>47,782</u>          |

For governmental activities, bonds and notes payable are liquidated by the general fund, debt service fund and various other governmental funds. Claims and judgments, compensated absences and landfill closure and postclosure care are generally liquidated by the general fund.

The following is a summary of changes in noncurrent business-type bond principal and other long-term obligations, including portions due within one year as reported in the statement of net assets.

|                                  | Interest<br>percentage<br>range | Outstanding<br>beginning<br>of year | Additions     | Reductions    | Outstanding<br>end<br>of year | Due within<br>one year |
|----------------------------------|---------------------------------|-------------------------------------|---------------|---------------|-------------------------------|------------------------|
| General obligation bonds:        |                                 |                                     |               |               |                               |                        |
| Inside debt limit                | (2.00%-8.00%)                   | \$ 8,334                            | 2,305         | 1,306         | 9,333                         | 1,483                  |
| Outside debt limit               | (2.00%-8.50%)                   | 117,953                             | 10,500        | 12,494        | 115,959                       | 10,012                 |
| MWPAT note payable               | (2.31%-6.01%)                   | 819                                 | -             | 45            | 774                           | 46                     |
| Judgments and claims             |                                 | 1,720                               | 69            | 546           | 1,243                         | 189                    |
| Compensated absences             |                                 | 826                                 | 550           | 660           | 716                           | 553                    |
| Other post employment benefits   |                                 | 3,571                               | 1,488         | 1,075         | 3,984                         | -                      |
| Deferred amounts on bond premium |                                 | 88                                  | -             | 34            | 54                            | 6                      |
|                                  |                                 | <u>\$ 133,311</u>                   | <u>14,912</u> | <u>16,160</u> | <u>132,063</u>                | <u>12,289</u>          |

On November 1, 2010 the City issued \$47,705 of general obligation bonds. The proceeds consisted of \$34,900 for governmental activities and \$12,805 for business-type activities. Also during fiscal year 2011, \$3,055 of business-type debt (airport) was transferred to governmental activities after the airport was sold.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### (b) *Maturity of Bond Indebtedness*

The following is a summary of changes in noncurrent governmental bond principal and other long-term obligations, including portions due within one year, as reported in the statement of net assets. Bond indebtedness outstanding at June 30, 2011 matures as follows:

|                      | <u>Governmental activities</u> |                 | <u>Business-type activities</u> |                 |                  |                 |
|----------------------|--------------------------------|-----------------|---------------------------------|-----------------|------------------|-----------------|
|                      | <u>Governmental Funds</u>      |                 | <u>Water</u>                    |                 | <u>Sewer</u>     |                 |
|                      | <u>Principal</u>               | <u>Interest</u> | <u>Principal</u>                | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| Year ending June 30: |                                |                 |                                 |                 |                  |                 |
| 2012                 | \$ 36,149                      | 25,761          | 7,693                           | 2,919           | 3,589            | 2,131           |
| 2013                 | 34,340                         | 24,596          | 8,033                           | 2,483           | 3,240            | 1,953           |
| 2014                 | 32,208                         | 23,470          | 8,233                           | 2,146           | 3,247            | 1,819           |
| 2015                 | 35,635                         | 17,883          | 8,160                           | 1,818           | 3,247            | 1,687           |
| 2016                 | 33,852                         | 14,629          | 8,313                           | 3,107           | 3,107            | 1,561           |
| 2017-2021            | 139,673                        | 59,321          | 17,572                          | 4,204           | 15,209           | 5,927           |
| 2022-2026            | 100,416                        | 29,081          | 8,604                           | 1,708           | 13,542           | 2,931           |
| 2027-2031            | 40,290                         | 5,798           | 3,226                           | 402             | 5,616            | 807             |
| 2032-2036            | 6,492                          | 1,298           | 769                             | 84              | 1,870            | 204             |
| 2037-2041            | 3,246                          | 181             | -                               | -               | -                | -               |
|                      | <u>\$ 462,301</u>              | <u>202,018</u>  | <u>70,603</u>                   | <u>18,871</u>   | <u>52,667</u>    | <u>19,020</u>   |

|                      | <u>Business-type activities</u> |                 | <u>Business-type activities totals</u> |                 |
|----------------------|---------------------------------|-----------------|--|-----------------|
|                      | <u>Golf (nonmajor)</u>          |                 |  |                 |
|                      | <u>Principal</u>                | <u>Interest</u> | <u>Principal</u>                       | <u>Interest</u> |
| Year ending June 30: |                                 |                 |  |                 |
| 2012                 | \$ 213                          | 74              | 11,495                                 | 5,124           |
| 2013                 | 205                             | 65              | 11,478                                 | 4,501           |
| 2014                 | 157                             | 57              | 11,637                                 | 4,022           |
| 2015                 | 158                             | 51              | 11,565                                 | 3,556           |
| 2016                 | 161                             | 46              | 11,581                                 | 4,714           |
| 2017-2021            | 736                             | 138             | 33,517                                 | 10,269          |
| 2022-2026            | 312                             | 47              | 22,458                                 | 4,686           |
| 2027-2031            | 80                              | 3               | 8,922                                  | 1,212           |
| 2032-2036            | -                               | -               | 2,639                                  | 288             |
|                      | <u>\$ 2,022</u>                 | <u>481</u>      | <u>125,292</u>                         | <u>38,372</u>   |

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of \$4,505. The City also has a loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) to fund the Southbridge Street sewer separation project in the amount of \$774.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MWPAT loans as of June 30, 2011 are as follows:

|                      |    | <b>Governmental activities</b> |                 |  |  |  |  |
|----------------------|----|--------------------------------|-----------------|--|--|--|--|
|                      |    | <b>General fund</b>            |                 |  |  |  |  |
|                      |    | <b>Principal</b>               | <b>Interest</b> |  |  |  |  |
| Year ending June 30: |    |                                |                 |  |  |  |  |
| 2012                 | \$ | 109                            | 254             |  |  |  |  |
| 2013                 |    | 113                            | 249             |  |  |  |  |
| 2014                 |    | 119                            | 309             |  |  |  |  |
| 2015                 |    | 126                            | 237             |  |  |  |  |
| 2016                 |    | 131                            | 114             |  |  |  |  |
| 2017-2021            |    | 2,369                          | 743             |  |  |  |  |
| 2022-2026            |    | 1,538                          | 287             |  |  |  |  |
|                      | \$ | <u>4,505</u>                   | <u>2,193</u>    |  |  |  |  |

|                      |    | <b>Business-type activities</b> |                 |                            |                 |                                |                 |
|----------------------|----|---------------------------------|-----------------|----------------------------|-----------------|--------------------------------|-----------------|
|                      |    | <b>Sewer</b>                    |                 |                            |                 | <b>Business-type</b>           |                 |
|                      |    |                                 |                 | <b>Anticipated subsidy</b> |                 | <b>activities totals (net)</b> |                 |
|                      |    | <b>Principal</b>                | <b>Interest</b> | <b>Principal</b>           | <b>Interest</b> | <b>Principal</b>               | <b>Interest</b> |
| Year ending June 30: |    |                                 |                 |                            |                 |                                |                 |
| 2012                 | \$ | 46                              | 38              | -                          | 17              | 46                             | 21              |
| 2013                 |    | 48                              | 35              | -                          | 16              | 48                             | 19              |
| 2014                 |    | 51                              | 32              | -                          | 15              | 51                             | 17              |
| 2015                 |    | 55                              | 29              | -                          | 14              | 55                             | 15              |
| 2016                 |    | 55                              | 27              | -                          | 14              | 55                             | 13              |
| 2017-2021            |    | 303                             | 73              | 1                          | 55              | 302                            | 18              |
| 2022-2026            |    | 216                             | 21              | 11                         | 21              | 205                            | -               |
|                      | \$ | <u>774</u>                      | <u>255</u>      | <u>12</u>                  | <u>152</u>      | <u>762</u>                     | <u>103</u>      |

**(c) Authorized and Unissued Debt**

The City is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively; of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Municipal Finance Oversight Board. Additionally, certain categories of general obligation debt are exempt from the debt limit but subject to other limitations.

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Authorized and unissued debt at June 30, 2011 is as follows:

Inside debt limit:

|   |                |
|---|----------------|
| Building rehabilitation                   | \$ 75,294      |
| School construction                       | 55,270         |
| Street construction                       | 25,933         |
| Union Station Garage                      | 16,920         |
| Blackstone Valley Visitors' Center        | 2,910          |
| Water building rehabilitation             | 2,865          |
| Departmental equipment                    | 2,493          |
| Worcester Center Boulevard Garage         | 2,271          |
| Parks improvements                        | 2,015          |
| Worcester Center Boulevard Garage Walkway | 1,850          |
| Sewer building rehabilitation             | 1,250          |
| Dam improvements                          | 930            |
| Sewer equipment                           | 845            |
| Water reservoir rehabilitation            | 800            |
| Off street parking                        | 645            |
| Worcester Common rehabilitation           | 605            |
| Urban Systems Gateway                     | 502            |
| Vocational School construction            | 410            |
| Building demolition                       | 364            |
| Bridge construction                       | 364            |
| South Worcester Industrial Park           | 350            |
| Land acquisition                          | 300            |
| Water equipment                           | 250            |
| Foley Stadium rehabilitation              | 150            |
| Airport improvements                      | 90             |
| Parking meters                            | 85             |
| Library design                            | 60             |
| Landfill monitoring                       | 50             |
| Surface drain construction                | 50             |
| Total inside debt limit                   | <u>195,921</u> |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### Outside debt limit:

|                                     |                   |
|-------------------------------------|-------------------|
| CitySquare                          | 72,169            |
| DCU building rehabilitation         | 20,590            |
| Sewer construction                  | 20,408            |
| Reservoir rehabilitation            | 2,290             |
| Water filtration                    | 4,219             |
| Vocational School construction      | 2,175             |
| Airport improvements                | 795               |
| December, 2008 ice storm clean-up   | 975               |
| Water mains                         | 2,550             |
| Acquisition of trees                | 150               |
| Greenhill Golf Course improvements  | 195               |
| Surface drain construction          | 2,000             |
| Greenhill Park improvements         | 30                |
| Water hydrants                      | 100               |
| Sewer drainage                      | 300               |
| Watershed land                      | 300               |
| Water equipment                     | 170               |
| Total outside debt limit            | <u>129,416</u>    |
| Total inside and outside debt limit | <u>\$ 325,337</u> |

At June 30, 2011, in addition to debt authorized but unissued, the City may issue \$253,761 of additional general obligation debt under the normal debt limit. The City had \$440,861 of outstanding debt exempt from the debt limit.

### **(d) Advance Refundings**

The principal amount of debt refunded through prior year in-substance defeasance transactions and still outstanding at June 30, 2011 was \$109,535.



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

### (e) *Discretely Presented Component Units – The District*

Long-term obligations consisted of the following at June 30, 2011:

|  |            |
|--|------------|
| 1997 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.                                      | \$ 5,148   |
| 1999 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.                                      | 560        |
| 2001 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.                                      | 290        |
| 2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.14% with a final payment due March 15, 2023.   | 7,715      |
| 2004 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034.  | 40,500     |
| 2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.35% with a final payment due July 15, 2034.             | 5,565      |
| 2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.30% with a final payment due July 15, 2036.             | 23,699     |
| 2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.93%.  | 6,785      |
| 2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.41% with a final payment due July 15, 2037. | 11,172     |
| 2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.16% with a final payment due May 1, 2028.  | 7,150      |
| 2009 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.42% with a final payment due July 15, 2038. | 22,029     |
| 2011 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.40% with a final payment due May 1, 2040.   | 22,000     |
| 2011 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.40% with a final payment due May 1, 2040.   | 7,276      |
| Unamortized bond premium   | 1,148      |
| OPEB   | 1,468      |
| Accrued sick leave   | 460        |
| Total long-term obligations  | 162,965    |
| Less portion due within one year   | (5,856)    |
| Amount due in more than one year   | \$ 157,109 |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Scheduled bond principal and interest repayments and related anticipated subsidies are as follows:

|                      | Gross payments    |               |                | Anticipated<br>subsidy | Net<br>payments |
|----------------------|-------------------|---------------|----------------|------------------------|-----------------|
|                      | Principal         | Interest      | Total          |                        |                 |
| Year ending June 30: |                   |               |                |                        |                 |
| 2012                 | \$ 5,774          | 5,259         | 11,033         | 1,240                  | 9,793           |
| 2013                 | 5,936             | 5,054         | 10,990         | 1,203                  | 9,787           |
| 2014                 | 6,111             | 4,841         | 10,952         | 1,165                  | 9,787           |
| 2015                 | 6,317             | 4,607         | 10,924         | 1,124                  | 9,800           |
| 2016                 | 6,529             | 4,362         | 10,891         | 1,082                  | 9,809           |
| 2017-2021            | 31,001            | 18,142        | 49,143         | 3,669                  | 45,474          |
| 2022-2026            | 28,218            | 12,834        | 41,052         | 2,710                  | 38,342          |
| 2027-2031            | 28,971            | 7,763         | 36,734         | 2,182                  | 34,552          |
| 2032-2036            | 29,151            | 3,025         | 32,176         | 1,351                  | 30,825          |
| 2037-2040            | 11,882            | 550           | 12,432         | -                      | 12,432          |
|                      | <u>\$ 159,890</u> | <u>66,437</u> | <u>226,327</u> | <u>15,726</u>          | <u>210,601</u>  |

### (f) *Discretely Presented Component Units – WRA*

On March 24, 1997, the WRA and City entered into a Cooperation Agreement (Agreement) concerning funding initiatives of the WRA. On December 14, 2000, the WRA voted to authorize the execution of any legal document in any effort to secure the repayment to the City of any funds the City may provide to finance the WRA's initiatives. Pursuant to the Agreement and the vote of the WRA on December 14, 2000, the WRA and City have executed several amendments to the Agreement whereby the City has agreed to loan the WRA various amounts at varying interest rates (ranging from 3.2% to 4.9%) and maturity dates.

Details related to notes payable to the City at June 30, 2011, are as follows:

| Project                          | Outstanding<br>at June 30,<br>2010 |               | Issued      | Redeemed    | Outstanding<br>at June 30,<br>2011 |  |
|----------------------------------|------------------------------------|---------------|-------------|-------------|------------------------------------|--|
|                                  |                                    |               |             |             |                                    |  |
| Union Station - Building Fit Out | \$ 2,832                           | \$ 152        | \$ -        | \$ -        | \$ 2,984                           |  |
| Union Station - Operating        | 2,761                              | 408           | -           | -           | 3,169                              |  |
| Union Station - Bus Ports        | 484                                | -             | -           | -           | 484                                |  |
| General and Administrative       | 79                                 | -             | -           | -           | 79                                 |  |
| Total                            | <u>\$ 6,156</u>                    | <u>\$ 560</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,716</u>                    |  |

**CITY OF WORCESTER, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Debt service requirements in future fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|--------------------|------------------|-----------------|-----------------|
| 2012               | \$ 5,966         | \$ 889          | \$ 6,855        |
| 2015               | <u>750</u>       | <u>191</u>      | <u>941</u>      |
| Total              | <u>\$ 6,716</u>  | <u>\$ 1,080</u> | <u>\$ 7,796</u> |

**(12) Temporary Borrowings**

**(a) Primary Government**

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANs or TANs);
- Special revenue, capital project, and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BANs); and
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANs and SAANs).

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures/expenses on temporary borrowings for the year ended June 30, 2011 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were \$741.

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

At June 30, 2011, the following 1.13% to 3.00% BANs (maturing through June 5, 2012) were outstanding:

|                                  | <b>Outstanding<br/>as of<br/>June 30, 2010</b> | <b>Additions</b> | <b>Reductions</b> | <b>Outstanding<br/>as of<br/>June 30, 2011</b> |
|----------------------------------|--|------------------|-------------------|--|
| Bond anticipation notes payable: |  |                  |                   |  |
| School                           | \$ 1,800                                       | -                | 1,800             | -  |
| General                          | 29,645   | 30,843           | 29,645            | 30,843   |
| Water                            | 4,319  | 3,405            | 4,319             | 3,405  |
| Sewer                            | 7,716  | 6,760            | 7,716             | 6,760  |
| Golf course (nonmajor)           | 770  | 75               | 770               | 75   |
| Total                            | <u>\$ 44,250</u>                               | <u>41,083</u>    | <u>44,250</u>     | <u>41,083</u>                                  |

### (b) *Discretely Presented Component Units – The District*

The District issues short-term notes as preliminary financing for major capital additions. Notes payable activity for the year ended June 30, 2011 was as follows:

|                  | <b>Outstanding<br/>as of<br/>June 30, 2010</b> | <b>Additions</b> | <b>Reductions</b> | <b>Outstanding<br/>as of<br/>June 30, 2011</b> |
|------------------|--|------------------|-------------------|--|
| Short-term notes | <u>\$ 22,864</u>                               | <u>5,354</u>     | <u>22,707</u>     | <u>5,511</u>                                   |

The outstanding notes mature through June 20, 2012 and bear interest between 0.25 - 1.25%.

### (13) **Interfund Receivables, Payables and Transfers**

Receivables and payables between funds at June 30, 2011 are summarized as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| Internal Service Fund  | General Fund        | 340 (1)       |

(1) Represents temporary cash advance

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Transfers and their purposes during the year ended June 30, 2011 were as follows:

|  | Governmental funds |                   |                   |                     | Proprietary funds |            |              |                      |
|--|--------------------|-------------------|-------------------|---------------------|-------------------|------------|--------------|----------------------|
|  | General Fund       | Debt Service Fund | School Grant Fund | Other Gov'tal Funds | Water Fund        | Sewer Fund | Airport Fund | Golf Fund (Nonmajor) |
| Original budget:   |                    |                   |                   |                     |                   |            |              |                      |
| General fund - to fund debt payments                                     | \$ (14,045)        | 14,045            | -                 | -                   | -                 | -          | -            | -                    |
| Cemetery reserve - to fund parks and cemetery                            | 132                | -                 | -                 | (132)               | -                 | -          | -            | -                    |
| Enterprises - to fund debt payments                                      | 1,488              | -                 | -                 | -                   | (850)             | (617)      | -            | (21)                 |
| Aid to highways Chapter 90 - to fund public works administration         | 373                | -                 | -                 | (373)               | -                 | -          | -            | -                    |
| Parking - to fund parking operations                                     | 453                | -                 | -                 | (453)               | -                 | -          | -            | -                    |
| Sewer connection fees - to fund public works administration              | 118                | -                 | -                 | (118)               | -                 | -          | -            | -                    |
| Construction permits - to fund public works administration               | 145                | -                 | -                 | (145)               | -                 | -          | -            | -                    |
| Conservation fees - to fund general fund operations                      | 31                 | -                 | -                 | (31)                | -                 | -          | -            | -                    |
| DCU Debt service - to fund marketing costs                               | 150                | (150)             | -                 | -                   | -                 | -          | -            | -                    |
| Sale of cemetery lots and graves - to fund parks and cemetery operations | 44                 | -                 | -                 | (44)                | -                 | -          | -            | -                    |
| Sub-total  | (11,111)           | 13,895            | -                 | (1,296)             | (850)             | (617)      | -            | (21)                 |
| Subsequent transfers:  |                    |                   |                   |                     |                   |            |              |                      |
| General fund to fund   |                    |                   |                   |                     |                   |            |              |                      |
| DCU center operations  | (423)              | -                 | -                 | 423                 | -                 | -          | -            | -                    |
| Sale of airport to fund  |                    |                   |                   |                     |                   |            |              |                      |
| Real estate sales  | -                  | -                 | -                 | 11,690              | -                 | -          | (11,690)     | -                    |
| Host agency grant to fund  |                    |                   |                   |                     |                   |            |              |                      |
| Health Dept. operations  | 1                  | -                 | -                 | (1)                 | -                 | -          | -            | -                    |
| Damage settlements - to reimburse for damage to City property            | 100                | -                 | -                 | (100)               | -                 | -          | -            | -                    |
| Premium on loans - to fund bond issuance costs                           | 200                | -                 | -                 | (200)               | -                 | -          | -            | -                    |
| Real estate sales - to fund debt payments                                | 5,550              | 3,100             | -                 | (8,650)             | -                 | -          | -            | -                    |
| Sewer connection fees - to fund Sewer operations                         | -                  | -                 | -                 | -                   | -                 | -          | -            | -                    |
| School grant fund to Other governmental funds - to fund BAN paydown      | -                  | -                 | (150)             | 150                 | -                 | -          | -            | -                    |
| General fund - to fund police salaries                                   | (56)               | -                 | -                 | 56                  | -                 | -          | -            | -                    |
| General fund - to fund perpetual care                                    | (92)               | -                 | -                 | 92                  | -                 | -          | -            | -                    |
| General fund - to fund conservation land                                 | (6)                | -                 | -                 | 6                   | -                 | -          | -            | -                    |
| General fund - to fund golf operations                                   | (209)              | -                 | -                 | -                   | -                 | -          | -            | 209                  |
| General fund - to fund debt payments                                     | (13)               | 13                | -                 | -                   | -                 | -          | -            | -                    |
| Capital - to fund capital project acquisitions                           | -                  | -                 | -                 | 281                 | (173)             | -          | (109)        | -                    |
| Total transfers, net   | \$ (6,059)         | 17,008            | (150)             | 2,451               | (1,023)           | (617)      | (11,799)     | 188                  |

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### (14) Environmental Remediation – The District

##### *Plant Improvements*

In settlement of its appeal of its National Pollutant Discharge Elimination System (NPDES) permit, the District entered into a consent agreement with the U.S. Environmental Protection Agency to implement a plant improvement plan that will achieve more stringent discharge standards within the coming 15 years. The plan was developed through District facilities planning, completed to identify the most cost-effective approach to modernizing the District's 35-year-old plant and achieving revised standards for the Blackstone River.

The plan envisioned completion of design and construction of the facilities needed to achieve new standards by August 2009 with design and construction of other facilities (solids management facilities and future capacities) occurring on an as-needed basis. This resulted in a four phased approach to construction of the facilities.

|                  |   |
|------------------|---|
| <b>Phase I</b>   | Peak flow management, headworks, primary treatment, disinfection, odor control, and miscellaneous other support systems. (approx. \$67,900) |
| <b>Phase II</b>  | Advanced treatment facilities required for projected 2011 flows. (approx. \$88,500)   |
| <b>Phase III</b> | Solids management facilities. (approx. \$31,000)  |
| <b>Phase IV</b>  | Facilities required for future flows (beyond 2011). (approx. \$15,000)  |

The above referenced costs are planning level estimates escalated to the mid-point of construction of each phase, with the total cost estimated to be \$202,400. In accordance with the District's agreement with EPA, Phase I was essentially completed in 2008, and Phase II was essentially completed in 2010. Phases III and IV are not required within the EPA agreement. The solids management improvement slated for Phase III have been initiated. Phase IV facilities would only be completed if sufficient regional growth occurs to warrant their construction.

The District intends to finance the above costs through long-term borrowing. As of June 30, 2011, the District has spent and capitalized approximately \$174,600, including capitalized interest of \$8,592.

##### *Blackstone River Modeling Study*

The District is conducting a modeling study of the Blackstone River to better understand the impact of water quality management decisions on the River. Identifying and solving the real problems of the River will start with having better tools to analyze the puzzle. For this reason, the District has initiated development of a new model of the River that starts to integrate all these effects.

The District does not think these initial efforts will be the end of the need to develop better tools for the River. This will be a process of continuing enhancements; as the District better understands the River, it will invariably have to make modifications and improvements to both the model and its treatment facilities.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

The estimated cost of the study is approximately \$2,100 and will be financed through long-term borrowing. As of June 30, 2011, the District has spent and capitalized approximately \$2,039.

#### ***Solar Photovoltaic System:***

The District was selected by the Massachusetts Department of Environmental Protection to participate in a statewide solar photovoltaic project. The proposed system would include a 293.15 kilowatt ground-mounted system installed on the plant site. The estimated cost of the project is approximately \$2,900 and will be funded by a federal grant passed through the Massachusetts Department of Environmental Protection. Project construction is scheduled to be complete late in 2011. As of June 30, 2011, the District has spent and capitalized \$1,965.

#### **(15) Risk Management**

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$100 per incident. The City is self-insured for other types of general liability; however, Chapter 258 of Massachusetts General Laws limits the City's liability to a maximum of \$100 per claimant in all matters except actions relating to federal civil rights, eminent domain, and breach of contract. The City is also self-insured for unemployment and workers' compensation.

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice, Medex, Master Medical and Managed Blue as well as Fallon Direct, Select and Senior plans. The partially self-insured Blue Choice, Fallon, Medex and Master Medical plans are paid through an established internal service fund based on total claims, while the Managed Blue and Fallon Senior plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed \$225 for each participating member of the self-insured health plans. Between 20% and 25% of employee contributions are made depending on the calculated contribution rate of the plan involved. The remainder of such costs is funded by the City. The City provides \$5 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

Liabilities for self-insured judgments and claims are recorded in the entity wide financial statements if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City accounts for its self-insurance costs that have matured in the general fund in the fund-basis statements.

The City has established a liability for health claims based on actual amounts paid two months subsequent to year-end (provided by a third-party administrator) and an estimate of future claims based on historical trends.

# **CITY OF WORCESTER, MASSACHUSETTS**

## **Notes to the Basic Financial Statements**

June 30, 2011

(In thousands of dollars)

The City has established a liability for judgments and claims based on a case-by-case review of all known claims, estimates of losses incurred but not reported, incremental costs incurred only because of claims, historical trends of previous years, and attorneys' estimates of pending matters and lawsuits in which the City is involved.

Changes in the self-insurance liability for health claims for the years ended June 30, 2011 and 2010 were as follows:

|  | <u>2011</u>     | <u>2010</u>     |
|--|-----------------|-----------------|
| Health claims, beginning of year   | \$ 5,427        | 4,661           |
| Incurred claims  | 83,585          | 77,679          |
| Payments of claims attributable to events of the<br>current and prior fiscal years | <u>(82,283)</u> | <u>(76,913)</u> |
| Health claims, end of year   | <u>\$ 6,729</u> | <u>5,427</u>    |

Changes in judgments and claims liability for the years ended June 30, 2011 and 2010 were as follows:

|   | <u>2011</u>      | <u>2010</u>    |
|---|------------------|----------------|
| Judgments and claims, beginning of year   | \$ 16,532        | 14,368         |
| Additions to estimated claims liability   | 466              | 4,073          |
| Payments of claims attributable to events of the<br>current and prior fiscal years: |                  |                |
| Court judgments and legal settlements   | (756)            | (143)          |
| Workers' compensation   | <u>(3,880)</u>   | <u>(1,766)</u> |
| Judgments and claims, end of year   | <u>\$ 12,362</u> | <u>16,532</u>  |

Judgments and claims consisted of the following at June 30:

|                                       | <u>2011</u>      | <u>2010</u>   |
|---------------------------------------|------------------|---------------|
| Workers' compensation                 | \$ 11,735        | 15,546        |
| Court judgments and legal settlements | 627              | 986           |
|                                       | <u>\$ 12,362</u> | <u>16,532</u> |

The fiscal 2011 liability for judgments and claims consist of governmental and business-type activities in the amount of \$11,119 and \$1,243 respectively.



# CITY OF WORCESTER, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The liability for workers' compensation is reported at net present value using a discount rate of 5.5%.

There are various other pending matters and lawsuits in which the City is involved. The City and its legal counsel estimate that the potential claims against the City not recorded in the accompanying basic financial statements resulting from such litigation would not materially affect the City's financial position.

### (16) Fund Balances

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

|                                 | <u>General</u>   | <u>CitySquare</u> | <u>Debt<br/>Service</u> | <u>School<br/>Grants</u> | <u>Other<br/>governmental<br/>funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------|------------------|-------------------|-------------------------|--------------------------|---|---|
| <b>Nonspendable:</b>            |                  |                   |                         |                          |   |   |
| Permanent fund principal.....   | \$ -             | -                 | -                       | -                        | 14,215                                  | 14,215                                  |
| <b>Restricted:</b>              |                  |                   |                         |                          |   |   |
| OPEB.....                       | 1,070            | -                 | -                       | -                        | -                                       | 1,070                                   |
| Public works.....               | -                | 7,805             | -                       | -                        | -                                       | 7,805                                   |
| School grants.....              | -                | -                 | -                       | 8,810                    | -                                       | 8,810                                   |
| City grants.....                | -                | -                 | -                       | -                        | 7,820                                   | 7,820                                   |
| School lunch.....               | -                | -                 | -                       | -                        | 3,016                                   | 3,016                                   |
| Off-street parking.....         | -                | -                 | -                       | -                        | 426                                     | 426                                     |
| City revolving funds.....       | -                | -                 | -                       | -                        | 1,118                                   | 1,118                                   |
| School revolving funds.....     | -                | -                 | -                       | -                        | 1,990                                   | 1,990                                   |
| Community development.....      | -                | -                 | -                       | -                        | 127                                     | 127                                     |
| Workforce central.....          | -                | -                 | -                       | -                        | 1,492                                   | 1,492                                   |
| Capital.....                    | -                | -                 | -                       | -                        | 4,583                                   | 4,583                                   |
| Permanent fund expendable.....  | -                | -                 | -                       | -                        | 100                                     | 100                                     |
| Sub-total - Restricted.....     | <u>1,070</u>     | <u>7,805</u>      | <u>-</u>                | <u>8,810</u>             | <u>20,672</u>                           | <u>38,357</u>                           |
| <b>Committed:</b>               |                  |                   |                         |                          |   |   |
| Debt service.....               | -                | -                 | 9,874                   | -                        | -                                       | 9,874                                   |
| Receipts reserved.....          | -                | -                 | -                       | -                        | 12,799                                  | 12,799                                  |
| Sub-total - Committed.....      | <u>-</u>         | <u>-</u>          | <u>9,874</u>            | <u>-</u>                 | <u>12,799</u>                           | <u>22,673</u>                           |
| <b>Unassigned.....</b>          | <u>17,758</u>    | <u>-</u>          | <u>-</u>                | <u>-</u>                 | <u>(11,518)</u>                         | <u>6,240</u>                            |
| <b>Total fund balances.....</b> | <u>\$ 18,828</u> | <u>7,805</u>      | <u>9,874</u>            | <u>8,810</u>             | <u>36,168</u>                           | <u>81,485</u>                           |

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### (17) Sale of Airport

As of July 1, 2010, the majority of the Worcester Regional Airport's (Airport) assets were sold by the City to the Massachusetts Port Authority (the Authority). The transaction involved the transfer of legal title to the majority of the real, personal and intangible property of the Airport. The only Airport assets retained by the City include various parcels of land valued at approximately \$2,600.

The loss on the disposal of the airport is calculated as follows:

| <u>Description</u>                           | <u>Amount</u>      |
|--|--------------------|
| Proceeds from sale                           | \$ 12,582          |
| Transfer of accrued liabilities to Massport  | 710                |
| Transfer of capital assets (net) to Massport | <u>(33,485)</u>    |
| Loss on sale of airport                      | \$ <u>(20,193)</u> |

Of the \$12,582 in proceeds from the airport sale, the majority (\$10,620) represents proceeds from the sale of real estate in accordance with MGL Chapter 44, Section 63, and must be appropriated by the City for future debt service costs related to the Airport. Any remaining sale of real estate amounts may be used for any purpose for which the City is authorized to incur debt for a period of five years or more and/or to pay down debt incurred pursuant to MGL, Chapter 44, Section 7, Clause 3. During fiscal year 2011, \$8,650 of the \$10,620 sale of real estate proceeds were transferred to the general fund (\$5,550) and debt service fund (\$3,100) for debt service costs.

The remaining proceeds from the airport sale (\$1,962) represent financing for the pension and OPEB costs of retired Airport employees with City service prior to July 1, 2010. During fiscal year 2011, \$1,070 of OPEB-related sale proceeds were placed in a separate account (in accordance with the sale agreement) and are reported as Restricted fund balance in the general fund. The remaining \$892 of OPEB-related sale proceeds was owed from the Authority as of June 30, 2011. This amount was received by the City in September 2011 and placed in a separate account in accordance with the sale agreement.

The sale agreement also provided for the Authority to reimburse the Airport for a portion of fiscal year 2010 operating expenses. This amount was recorded in the prior year as intergovernmental revenue (non-operating) and totaled approximately \$700.

During fiscal year 2011, the City continued to act as the employer for the Airport's employees and was responsible for maintaining the operations of the Airport. The Authority reimbursed the City for 100% of the operating costs during fiscal year 2011, plus a 3% indirect cost reimbursement. As of July 1, 2011, the City is no longer acting as the employer for the Airport's employees and is no longer responsible for maintaining the operations of the Airport.

## CITY OF WORCESTER, MASSACHUSETTS

### Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

#### (18) Fund Deficits and Appropriation Deficits

##### *Fund Deficits*

The following funds had deficits at June 30, 2011:

| <u>Capital Projects Funds:</u>     |          | <u>Special Revenue Funds:</u> |          |
|------------------------------------|----------|-------------------------------|----------|
| DCU construction                   | \$ 1,261 | DCU Center                    | \$ 1,237 |
| Street and sidewalk                | 1,789    |                               |          |
| Rehabilitation of public buildings | 3,430    |                               |          |
| Capital equipment                  | 1,863    |                               |          |
| Parks improvements                 | 1,938    |                               |          |

These deficits will be funded in future fiscal years via long-term bond issues, charges for services and intergovernmental revenues.

#### (19) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is required to be implemented during fiscal year 2012. The implementation of this Statement will not impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                                      | Budget             |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|--------------------|--------------------|--------------------|---|
|                                      | Original           | Final              |                    |   |
| <b>REVENUES</b>                      |                    |                    |                    |   |
| Property taxes                       | \$ 214,891,243     | 215,151,681        | 216,325,187        | 1,173,506   |
| Motor vehicle excise taxes           | 11,350,000         | 10,900,000         | 11,418,760         | 518,760   |
| Penalties and interest on taxes:     |                    |                    |                    |   |
| Property taxes                       | 1,070,700          | 1,070,700          | 1,051,953          | (18,747)  |
| Tax titles                           | 236,300            | 236,300            | 288,866            | 52,566  |
| Motor vehicle excise                 | 1,217,000          | 1,217,000          | 858,593            | (358,407)   |
| Special assessments                  | 48,000             | 48,000             | 85,947             | 37,947  |
|                                      | <u>2,572,000</u>   | <u>2,572,000</u>   | <u>2,285,359</u>   | <u>(286,641)</u>  |
| Other taxes and in-lieu payments:    |                    |                    |                    |   |
| In lieu of taxes                     | 1,100,000          | 1,200,000          | 1,718,834          | 518,834   |
| Special assessments                  | 370,000            | 330,000            | 376,318            | 46,318  |
| Meals tax                            | 1,400,000          | 1,200,000          | 2,108,576          | 908,576   |
| Hotel/motel tax                      | 975,000            | 975,000            | 729,800            | (245,200)   |
|                                      | <u>3,845,000</u>   | <u>3,705,000</u>   | <u>4,933,528</u>   | <u>1,228,528</u>  |
| Licenses and permits:                |                    |                    |                    |   |
| Clerk                                | 152,400            | 152,400            | 161,491            | 9,091   |
| Code Inspection                      | 1,962,750          | 2,362,750          | 2,699,805          | 337,055   |
| Fire                                 | 221,275            | 221,275            | 213,102            | (8,173)   |
| Health                               | 448,630            | 448,630            | 595,019            | 146,389   |
| License Commission:                  |                    |                    |                    |   |
| Liquor licenses                      | 808,610            | 808,610            | 792,921            | (15,689)  |
| Other                                | 67,200             | 67,200             | 64,995             | (2,205)   |
| Police                               | 73,845             | 73,845             | 91,817             | 17,972  |
| Public Works                         | 226,700            | 226,700            | 245,594            | 18,894  |
|                                      | <u>3,961,410</u>   | <u>4,361,410</u>   | <u>4,864,744</u>   | <u>503,334</u>  |
| Intergovernmental:                   |                    |                    |                    |   |
| State local aid                      | 231,957,231        | 231,722,092        | 231,281,771        | (440,321)   |
| State school construction aid        | 15,729,151         | 16,113,046         | 16,113,046         | -   |
| School related Federal Medicare      | 5,000,000          | 5,000,000          | 2,610,882          | (2,389,118)   |
| Federal indirect cost reimbursements | 1,678,000          | 1,678,000          | 2,140,356          | 462,356   |
|                                      | <u>254,364,382</u> | <u>254,513,138</u> | <u>252,146,055</u> | <u>(2,367,083)</u>                                      |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                        | Budget             |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|------------------------|--------------------|--------------------|--------------------|---|
|                        | Original           | Final              |                    |   |
| Fines and forfeitures: |                    |                    |                    |   |
| Parking fines          | \$ 2,269,000       | 2,069,000          | 1,914,188          | (154,812)   |
| Court fines            | 1,081,000          | 981,000            | 891,392            | (89,608)  |
|                        | <u>3,350,000</u>   | <u>3,050,000</u>   | <u>2,805,580</u>   | <u>(244,420)</u>  |
| Investment earnings    | <u>450,000</u>     | <u>100,000</u>     | <u>68,270</u>      | <u>(31,730)</u>   |
| Charges for services:  |                    |                    |                    |   |
| Airport land lease     | -                  | -                  | 91,667             | 91,667  |
| Assessor               | 11,500             | 11,500             | 6,020              | (5,480)   |
| Auditorium             | 65,000             | 65,000             | 284,049            | 219,049   |
| Clerk                  | 530,000            | 530,000            | 572,336            | 42,336  |
| Cable TV               | 25,000             | 25,000             | 22,696             | (2,304)   |
| Communications         | 350                | 350                | 495                | 145   |
| Elder Affairs          | 45,000             | 45,000             | 43,188             | (1,812)   |
| Fire                   | 222,800            | 222,800            | 255,269            | 32,469  |
| Health                 | 20,470             | 20,470             | 21,783             | 1,313   |
| Hope Cemetery          | 189,500            | 189,500            | 263,142            | 73,642  |
| Library                | 50,000             | 50,000             | 55,760             | 5,760   |
| Messenger              | 7,000              | 7,000              | 3,437              | (3,563)   |
| Parks                  | 50,000             | 50,000             | 68,286             | 18,286  |
| Planning               | 85,300             | 85,300             | 70,433             | (14,867)  |
| Police                 | 451,000            | 451,000            | 567,971            | 116,971   |
| Public Works           | 3,000              | 3,000              | 8,010              | 5,010   |
| Purchasing             | 171,000            | 171,000            | 276,199            | 105,199   |
| Schools                | -                  | -                  | 4,600              | 4,600   |
| Trailer coach park     | 4,500              | 4,500              | 4,194              | (306)   |
| Trash bags             | 3,400,000          | 3,400,000          | 3,303,919          | (96,081)  |
| Treasurer              | 32,000             | 32,000             | 15,192             | (16,808)  |
|                        | <u>5,363,420</u>   | <u>5,363,420</u>   | <u>5,938,646</u>   | <u>575,226</u>  |
| Miscellaneous          | <u>659,000</u>     | <u>759,000</u>     | <u>1,428,814</u>   | <u>669,814</u>  |
| <b>Total revenues</b>  | <u>500,806,455</u> | <u>500,475,649</u> | <u>502,214,943</u> | <u>1,739,294</u>  |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                           | Budget           |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------|------------------|------------------|------------------|---|
|                           | Original         | Final            |                  |   |
| <b>EXPENDITURES</b>       |                  |                  |                  |   |
| General government:       |                  |                  |                  |   |
| Council:                  |                  |                  |                  |   |
| Salaries                  | \$ 324,000       | 310,750          | 310,750          | -   |
| Ordinary maintenance      | 26,867           | 19,221           | 19,221           | -   |
|                           | <u>350,867</u>   | <u>329,971</u>   | <u>329,971</u>   | <u>-</u>  |
| Mayor:                    |                  |                  |                  |   |
| Salaries                  | 98,870           | 100,365          | 100,365          | -   |
| Ordinary maintenance      | 5,205            | 5,181            | 5,181            | -   |
|                           | <u>104,075</u>   | <u>105,546</u>   | <u>105,546</u>   | <u>-</u>  |
| Manager:                  |                  |                  |                  |   |
| Salaries:                 |                  |                  |                  |   |
| Executive office          | 651,764          | 685,190          | 685,190          | -   |
| Planning & Development    | 606,915          | 603,179          | 603,179          | -   |
| Ordinary maintenance:     |                  |                  |                  |   |
| Executive office          | 1,204,280        | 1,417,956        | 1,417,956        | -   |
| Planning & Development    | 88,978           | 79,118           | 79,118           | -   |
| Tourism promotion         | -                | 150,000          | 150,000          | -   |
|                           | <u>2,551,937</u> | <u>2,935,443</u> | <u>2,935,443</u> | <u>-</u>  |
| Auditor:                  |                  |                  |                  |   |
| Salaries                  | 527,232          | 476,451          | 476,451          | -   |
| Ordinary maintenance      | 82,559           | 82,545           | 82,545           | -   |
|                           | <u>609,791</u>   | <u>558,996</u>   | <u>558,996</u>   | <u>-</u>  |
| Administration & Finance: |                  |                  |                  |   |
| Salaries                  | 352,528          | 364,272          | 364,272          | -   |
| Ordinary maintenance      | 70,664           | 45,212           | 45,212           | -   |
|                           | <u>423,192</u>   | <u>409,484</u>   | <u>409,484</u>   | <u>-</u>  |
| Treasurer and Collector:  |                  |                  |                  |   |
| Salaries                  | 1,003,278        | 1,004,866        | 981,681          | 23,185  |
| Ordinary maintenance      | 641,676          | 1,226,777        | 1,213,248        | 13,529  |
|                           | <u>1,644,954</u> | <u>2,231,643</u> | <u>2,194,929</u> | <u>36,714</u>   |
| Assessor:                 |                  |                  |                  |   |
| Salaries                  | 530,878          | 520,565          | 520,565          | -   |
| Ordinary maintenance      | 46,413           | 146,276          | 146,276          | -   |
|                           | <u>577,291</u>   | <u>666,841</u>   | <u>666,841</u>   | <u>-</u>  |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                          | Budget            |                   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------|-------------------|-------------------|-------------------|---|
|                          | Original          | Final             |                   |   |
| License Commission:      |                   |                   |                   |   |
| Ordinary maintenance     | \$ 1,200          | 1,116             | 1,116             | -   |
|                          | <u>1,200</u>      | <u>1,116</u>      | <u>1,116</u>      | <u>-</u>  |
| Law:                     |                   |                   |                   |   |
| Salaries                 | 765,885           | 709,995           | 709,995           | -   |
| Ordinary maintenance     | 122,842           | 133,567           | 133,567           | -   |
| Casualty insurance       | 119,948           | 88,403            | 88,403            | -   |
| Court judgments          | 377,750           | 637,967           | 637,967           | -   |
|                          | <u>1,386,425</u>  | <u>1,569,932</u>  | <u>1,569,932</u>  | <u>-</u>  |
| Clerk:                   |                   |                   |                   |   |
| Salaries                 | 571,880           | 582,249           | 582,249           | -   |
| Ordinary maintenance     | 36,024            | 36,164            | 36,164            | -   |
|                          | <u>607,904</u>    | <u>618,413</u>    | <u>618,413</u>    | <u>-</u>  |
| Messenger:               |                   |                   |                   |   |
| Salaries                 | 45,074            | 44,713            | 44,713            | -   |
| Ordinary maintenance     | 414,132           | 248,171           | 248,171           | -   |
|                          | <u>459,206</u>    | <u>292,884</u>    | <u>292,884</u>    | <u>-</u>  |
| Election Commission:     |                   |                   |                   |   |
| Salaries                 | 283,573           | 268,060           | 268,060           | -   |
| Ordinary maintenance     | 84,885            | 80,024            | 80,024            | -   |
|                          | <u>368,458</u>    | <u>348,084</u>    | <u>348,084</u>    | <u>-</u>  |
| Purchasing:              |                   |                   |                   |   |
| Salaries                 | 188,797           | 188,797           | 188,684           | 113   |
| Ordinary maintenance     | 14,595            | 14,595            | 12,980            | 1,615   |
|                          | <u>203,392</u>    | <u>203,392</u>    | <u>201,664</u>    | <u>1,728</u>  |
| Technical services:      |                   |                   |                   |   |
| Salaries                 | 1,548,893         | 1,598,845         | 1,598,845         | -   |
| Ordinary maintenance     | 903,495           | 894,984           | 894,984           | -   |
|                          | <u>2,452,388</u>  | <u>2,493,829</u>  | <u>2,493,829</u>  | <u>-</u>  |
| Human Resources:         |                   |                   |                   |   |
| Salaries                 | 750,257           | 719,367           | 719,367           | -   |
| Ordinary maintenance     | 219,701           | 283,322           | 283,322           | -   |
|                          | <u>969,958</u>    | <u>1,002,689</u>  | <u>1,002,689</u>  | <u>-</u>  |
| Total general government | <u>12,711,038</u> | <u>13,768,263</u> | <u>13,729,821</u> | <u>38,442</u>   |

(Continued)



**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                                     | Budget                |                       | Actual                | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------------|-----------------------|-----------------------|-----------------------|---|
|                                     | Original              | Final                 |                       |   |
| Public safety:                      |                       |                       |                       |   |
| Police:                             |                       |                       |                       |   |
| Salaries                            | \$ 37,048,266         | 37,393,299            | 36,988,629            | 404,670   |
| Ordinary maintenance                | 1,853,766             | 1,853,766             | 1,844,904             | 8,862   |
|                                     | <u>38,902,032</u>     | <u>39,247,065</u>     | <u>38,833,533</u>     | <u>413,532</u>  |
| Fire:                               |                       |                       |                       |   |
| Salaries                            | 31,117,257            | 30,610,583            | 30,610,583            | -   |
| Ordinary maintenance                | 994,541               | 1,092,414             | 1,092,414             | -   |
| Capital                             | 25,000                | 20,248                | 20,248                | -   |
|                                     | <u>32,136,798</u>     | <u>31,723,245</u>     | <u>31,723,245</u>     | <u>-</u>  |
| Inspectional services:              |                       |                       |                       |   |
| Salaries                            | 2,585,882             | 2,259,879             | 2,259,879             | -   |
| Ordinary maintenance                | 246,266               | 229,908               | 229,908               | -   |
|                                     | <u>2,832,148</u>      | <u>2,489,787</u>      | <u>2,489,787</u>      | <u>-</u>  |
| Communications:                     |                       |                       |                       |   |
| Salaries                            | 1,690,661             | 1,608,749             | 1,608,749             | -   |
| Ordinary maintenance                | 308,180               | 275,420               | 275,420               | -   |
|                                     | <u>1,998,841</u>      | <u>1,884,169</u>      | <u>1,884,169</u>      | <u>-</u>  |
| <br>Total public safety             | <br><u>75,869,819</u> | <br><u>75,344,266</u> | <br><u>74,930,734</u> | <br><u>413,532</u>                                      |
| Health and human services:          |                       |                       |                       |   |
| Health:                             |                       |                       |                       |   |
| Salaries                            | 140,097               | 119,775               | 119,775               | -   |
| Ordinary maintenance                | 12,500                | 12,329                | 12,329                | -   |
|                                     | <u>152,597</u>        | <u>132,104</u>        | <u>132,104</u>        | <u>-</u>  |
| Elder Affairs:                      |                       |                       |                       |   |
| Salaries                            | 265,584               | 230,448               | 230,448               | -   |
| Ordinary maintenance                | 293,153               | 312,131               | 312,131               | -   |
|                                     | <u>558,737</u>        | <u>542,579</u>        | <u>542,579</u>        | <u>-</u>  |
| <br>Total health and human services | <br><u>711,334</u>    | <br><u>674,683</u>    | <br><u>674,683</u>    | <br><u>-</u>  |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                              | Budget         |             | Actual      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------|----------------|-------------|-------------|---|
|                              | Original       | Final       |             |   |
| Education:                   |                |             |             |   |
| Public Schools:              |                |             |             |   |
| Salaries                     | \$ 167,921,076 | 162,861,001 | 162,854,627 | 6,374   |
| Ordinary maintenance         | 37,629,068     | 42,843,148  | 42,842,130  | 1,018   |
| Capital                      | 245,000        | 221,531     | 221,531     | -   |
| Total education              | 205,795,144    | 205,925,680 | 205,918,288 | 7,392   |
| Public works:                |                |             |             |   |
| Department of Public Works:  |                |             |             |   |
| Salaries                     | 5,703,651      | 5,064,038   | 4,938,635   | 125,403   |
| Ordinary maintenance         | 6,086,456      | 5,951,840   | 5,937,520   | 14,320  |
| Snow and ice removal         | 2,733,529      | 4,893,592   | 4,893,592   | -   |
| Street lighting              | 1,887,828      | 2,076,828   | 2,076,828   | -   |
|                              | 16,411,464     | 17,986,298  | 17,846,575  | 139,723   |
| Union Station:               |                |             |             |   |
| Ordinary maintenance         | 408,098        | 408,098     | 408,098     | -   |
| Total public works           | 16,819,562     | 18,394,396  | 18,254,673  | 139,723   |
| Culture and recreation:      |                |             |             |   |
| Parks and Cemetery:          |                |             |             |   |
| Salaries                     | 2,711,936      | 2,635,005   | 2,635,005   | -   |
| Ordinary maintenance         | 666,256        | 886,110     | 886,110     | -   |
|                              | 3,378,192      | 3,521,115   | 3,521,115   | -   |
| Public Library:              |                |             |             |   |
| Salaries                     | 2,957,057      | 2,826,567   | 2,826,567   | -   |
| Ordinary maintenance         | 1,336,098      | 1,338,254   | 1,338,254   | -   |
|                              | 4,293,155      | 4,164,821   | 4,164,821   | -   |
| Auditorium:                  |                |             |             |   |
| Ordinary maintenance         | 121,506        | 120,890     | 120,890     | -   |
| DCU Center:                  |                |             |             |   |
| Debt service                 | 363,602        | -           | -           | -   |
| Total culture and recreation | 8,156,455      | 7,806,826   | 7,806,826   | -   |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|                                   | Budget      |            | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-----------------------------------|-------------|------------|------------|---|
|                                   | Original    | Final      |            |   |
| Intergovernmental:                |             |            |            |   |
| Health insurance - retirees       | \$ 10,560   | 10,560     | 10,560     | -   |
| Regional planning                 | 41,594      | 41,594     | 41,594     | -   |
| Regional Transit Authority        | 2,586,564   | 2,586,564  | 2,586,564  | -   |
| Air pollution control             | 39,427      | 39,427     | 39,427     | -   |
| Charter Schools                   | 23,188,724  | 23,161,323 | 22,987,591 | 173,732   |
| School choice                     | 1,922,222   | 1,922,222  | 1,901,448  | 20,774  |
| Special education - Chapter 766   | 175,796     | 175,796    | 109,736    | 66,060  |
| Registry parking ticket surcharge | 426,865     | 537,180    | 577,640    | (40,460)  |
| Total intergovernmental           | 28,391,752  | 28,474,666 | 28,254,560 | 220,106   |
| Debt service:                     |             |            |            |   |
| Principal                         | 21,839,187  | 22,731,182 | 22,731,182 | -   |
| Interest                          | 8,070,197   | 7,726,929  | 7,726,929  | -   |
| Pension obligation bond:          |             |            |            |   |
| Municipal departments:            |             |            |            |   |
| Principal                         | 6,700,000   | 6,700,000  | 6,700,000  | -   |
| Interest                          | 3,709,475   | 3,798,563  | 3,798,563  | -   |
| Enterprise funds (interest)       | 1,577,146   | 1,488,058  | 1,488,058  | -   |
| Public schools (interest)         | 4,650,253   | 4,650,253  | 4,650,253  | -   |
| Total debt service                | 46,546,258  | 47,094,985 | 47,094,985 | -   |
| Fringe benefits:                  |             |            |            |   |
| Retirement:                       |             |            |            |   |
| Contributory pensions:            |             |            |            |   |
| Municipal departments             | 16,538,981  | 17,029,568 | 16,861,092 | 168,476   |
| Early retirement incentive        | (2,000,000) | -          | -          | -   |
| Public Schools                    | 6,824,823   | 6,368,889  | 6,368,889  | -   |
| Noncontributory pensions:         |             |            |            |   |
| Municipal departments             | 163,947     | 144,763    | 144,763    | -   |
| Public Schools                    | 254,598     | 207,285    | 207,285    | -   |
| Total fringe benefits             | 21,782,349  | 23,750,505 | 23,582,029 | 168,476   |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information  
For the Fiscal Year Ended June 30, 2011

General Fund

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budgetary Basis

|  | Budget               |                    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|--------------------|--------------------|---|
|  | Original             | Final              |                    |   |
| Workers' and unemployment comp.:       |                      |                    |                    |   |
| Workers' compensation:                 |                      |                    |                    |   |
| Municipal departments                  | \$ 1,166,144         | 941,660            | 941,660            | -   |
| Public Schools                         | 323,700              | 409,547            | 409,547            | -   |
| Public safety injured on duty          | 513,680              | 302,328            | 302,328            | -   |
| Unemployment compensation:             |                      |                    |                    |   |
| Municipal departments                  | 620,000              | 370,000            | 244,319            | 125,681   |
| Public Schools                         | 637,300              | 880,377            | 880,377            | -   |
|  | <u>3,260,824</u>     | <u>2,903,912</u>   | <u>2,778,231</u>   | <u>125,681</u>  |
| Group insurance:                       |                      |                    |                    |   |
| Municipal departments                  | 25,841,628           | 25,347,618         | 25,232,543         | 115,075   |
| Public Schools                         | 41,923,445           | 41,604,982         | 41,604,982         | -   |
|  | <u>67,765,073</u>    | <u>66,952,600</u>  | <u>66,837,525</u>  | <u>115,075</u>  |
| Total fringe benefits                  | <u>92,808,246</u>    | <u>93,607,017</u>  | <u>93,197,785</u>  | <u>409,232</u>  |
| Contingency                            | <u>250,000</u>       | <u>250,000</u>     | <u>-</u>           | <u>250,000</u>  |
| Total expenditures                     | <u>488,059,608</u>   | <u>491,340,782</u> | <u>489,862,355</u> | <u>1,478,427</u>  |
| Excess of revenues over expenditures   | <u>12,746,847</u>    | <u>9,134,867</u>   | <u>12,352,588</u>  | <u>3,217,721</u>  |
| <b>OTHER FINANCING SOURCES (USES):</b> |                      |                    |                    |   |
| Transfers in                           | \$ 2,872,640         | 9,435,092          | 9,435,092          | -   |
| Transfers out                          | (13,969,487)         | (18,643,292)       | (18,643,292)       | -   |
| Premium on loans                       | 300,000              | 500,000            | 566,756            | 66,756  |
| Total other financing sources (uses)   | <u>(10,796,847)</u>  | <u>(8,708,200)</u> | <u>(8,641,444)</u> | <u>66,756</u>   |
| Net changes in fund balance            | <u>1,950,000</u>     | <u>426,667</u>     | <u>3,711,144</u>   | <u>3,284,477</u>  |
| Budgetary fund balance - beginning     | <u>10,547,937</u>    | <u>10,547,937</u>  | <u>10,547,937</u>  | <u>-</u>  |
| Budgetary fund balance - ending        | <u>\$ 12,497,937</u> | <u>10,974,604</u>  | <u>14,259,081</u>  | <u>3,284,477</u>  |

(Concluded)

See accompanying notes to required supplementary information.

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2011

(In thousands of dollars)

**Pension Plan Schedules**

The following schedules provide information related to the WRS as a whole, for which the City is one participating employer:

**SCHEDULES OF FUNDING PROGRESS (WRS)**

|           | (a)           | (b)       | (b - a)   | (a/b)     | (c)        | (b - a)/c   |
|-----------|---------------|-----------|-----------|-----------|------------|-------------|
| Actuarial | Actuarial     | Actuarial | Unfunded  |           |            | UAAL as a   |
| Valuation | Value of Plan | Accrued   | Actuarial | Funded    | Covered    | Percent of  |
| Date      | Assets        | Liability | Liability | Ratio (%) | Payroll    | Covered     |
|           |               |           |           |           |            | Payroll (%) |
| 1/1/2006  | \$ 644,017    | 806,957   | 162,940   | 79.81     | \$ 145,831 | 111.73      |
| 1/1/2007  | 716,797       | 837,608   | 120,811   | 85.58     | 152,838    | 79.05       |
| 1/1/2008  | 759,410       | 889,924   | 130,514   | 85.33     | 156,585    | 83.35       |
| 1/1/2009  | 631,894       | 929,569   | 297,675   | 67.98     | 166,050    | 179.27      |
| 1/1/2010  | 679,510       | 987,692   | 308,182   | 68.80     | 166,392    | 185.21      |
| 1/1/2011  | 724,998       | 1,025,076 | 300,078   | 70.73     | 157,721    | 190.26      |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)**

| Year Ended  | Annual Required | Percentage of Annual     |
|-------------|-----------------|--------------------------|
| December 31 | Contributions   | Required Contributed (%) |
| 2005        | \$ 23,579       | 106                      |
| 2006        | 23,355          | 100                      |
| 2007        | 24,166          | 100                      |
| 2008        | 24,947          | 100                      |
| 2009        | 28,505          | 100                      |
| 2010        | 29,770          | 101                      |

**CITY OF WORCESTER, MASSACHUSETTS**

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2011

(In thousands of dollars)

The following schedule provides information related to the City's portion of the WRS ARC:

**CITY SHARE OF WRS ARC**

| <u>Year Ended<br/>June 30</u> | <u>ARC</u> | <u>Percentage<br/>of ARC<br/>Contributed (%)</u> | <u>City ARC as a<br/>Percentage of<br/>WRS ARC (%)</u> |
|-------------------------------|------------|--|--|
| 2006                          | \$ 21,526  | 100  | 91.3   |
| 2007                          | 21,241     | 100  | 90.9   |
| 2008                          | 22,089     | 100  | 91.4   |
| 2009                          | 22,742     | 100  | 91.2   |
| 2010                          | 26,117     | 100  | 91.6   |
| 2011                          | 27,277     | 101  | 91.6   |

**OPEB Schedule**

The following schedule provides information related to the City's OPEB plan:

**SCHEDULES OF FUNDING PROGRESS**

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(A)</u> | <u>Actuarial<br/>Accrued<br/>Liability (AAL)<br/>Projected Unit<br/>Credit<br/>(B)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(B-A)</u> | <u>Funded<br/>Ratio<br/>(A/B)</u> | <u>Covered<br/>Payroll<br/>(C)</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((B-A)/C)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 06/30/08                                | \$ -   | 1,148,294  | 1,148,294                                    | 0.0%                              | \$ 320,372                         | 358%   |
| 07/01/09                                | -  | 765,312  | 765,312                                      | 0.0%                              | 302,802                            | 253%   |

# CITY OF WORCESTER, MASSACHUSETTS

## Notes to Required Supplementary Information

June 30, 2011

(In thousands of dollars)

### Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for all general fund functions as well as for those enterprise funds for which the provisions of Chapter 44, Section 53F 1/2 have been adopted.

All portions of the annual budget, except for that of public schools, are prepared under the direction of the City Manager. The School Department budget is prepared under the direction of the Superintendent. The budget must be approved by the City Council, which may reduce or reject any item in the budget but may not increase or add items without the recommendation of the City Manager. The level of expenditure may not legally exceed appropriations for each department or undertaking in the categories of salaries and wages, ordinary maintenance and capital outlays.

Once adopted, budgets within the above categories may not be amended by management without seeking City Council approval.

In fiscal 2011, the original general fund expenditure budget was increased by \$3,281.

The City's annual budget is prepared on a basis other than GAAP. The "actual" results columns of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison with the budgets.

The following reconciliation summarizes the differences between budgetary and GAAP-basis accounting principles for the year ended June 30, 2011:

|  | <u>Revenues</u>   | <u>Expenditures</u> | <u>OFS/<br/>OFU<br/>Net</u> | <u>Net Change<br/>in Fund<br/>Balance</u> |
|--|-------------------|---------------------|-----------------------------|---|
| General fund:                              |                   |                     |                             |   |
| As reported on a budgetary basis           | \$ 502,215        | 489,862             | (8,642)                     | 3,711                                     |
| Reclassify stabilization fund              | -                 | -                   | 2,080                       | 2,080                                     |
| Reclassify OPEB reserve                    | -                 | -                   | 1,070                       | 1,070                                     |
| MTRS on-behalf payments                    | 52,395            | 52,395              | -                           | -   |
| COLA on-behalf payments                    | 1,726             | 1,726               | -                           | -   |
| Adjustment of revenues to a modified basis | <u>(62)</u>       | <u>-</u>            | <u>-</u>                    | <u>(62)</u>                               |
| As reported on a<br>GAAP basis             | <u>\$ 556,274</u> | <u>543,983</u>      | <u>(5,492)</u>              | <u>6,799</u>                              |

The major differences between the budgetary basis and the GAAP basis are stabilization and OPEB reserve funds are reported in the general fund on a GAAP basis only, revenues are recorded when cash is received (budgetary), as opposed to when susceptible to accrual (GAAP); claims are recorded as expenditures when paid (budgetary), as opposed to a liability when incurred (GAAP); and MTRS and COLA on-behalf payments are recorded on a GAAP basis only.

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## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2011

**Nonmajor Governmental Funds** – A combining balance sheet and combining statement of revenues, expenditures and changes in fund balances is provided for other (nonmajor) governmental funds.

#### Special Revenue

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects.

**DCU Center** – accounts for the operations of the City's civic center.

**School Lunch** – accounts for the operations of the public school lunch program.

**Police Auxiliary** – accounts for police off-duty details.

**Off-Street Parking** – accounts for the operation of the City's parking garages, on-street meters and off-street parking lots.

**City Revolving** – accounts for City activities that are allowed, by an act of the state legislature, to use program revenues for operating expenditures.

**School Revolving** – accounts for school activities that are allowed, by an act of the state legislature, to use program revenues for operating expenditures.

**Receipts Reserved** – accounts for revenues reserved for appropriation that have been segregated by law or administrative action.

**Community Development** – accounts for grants received from the U.S. Department of Housing and Urban Development.

**Workforce Central** – accounts for revenue received from the U.S. Department of Labor to assist individuals to become productive members of the labor force.

**City Grants** – accounts for various grants received from the Federal and state governments for programs administered by City departments.

#### Capital Projects

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**DCU Center Construction** – accounts for improvements to the City's civic center.

**Street and Sidewalk** – accounts for the construction and improvement of streets and sidewalks.

**Rehabilitation of Public Buildings** – accounts for improvements to City owned buildings.

**Capital Equipment** – accounts for the acquisition of equipment.

**School Construction** – accounts for the construction and rehabilitation of school buildings.

## CITY OF WORCESTER, MASSACHUSETTS

### Supplementary Statements and Schedules

June 30, 2011

**Parks Improvements** – accounts for grants and bond proceeds used for parks improvements.

**Union Station Garage** – accounts for financial resources used for the Union Station Garage construction.

**Franklin St. Fire Station** – accounts for the financial resources used for Franklin St. Fire Station construction.

**Other** – accounts for various small construction projects.

#### **Permanent Funds**

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Hope Cemetery** – accounts for funds used for the perpetual care of the municipal cemetery.

**Health Department** – accounts for funds used for public health purposes.

**Libraries** – accounts for funds held in trust for the City's public libraries.

**Schools** – accounts for funds held in trust to provide scholarships for qualified students.

**Parks** – accounts for funds held in trust to improve the City's parks.

**Police** – accounts for funds held in trust to beautify the landscape at the police headquarters building.

**Public Works** – accounts for funds held in trust to provide street lighting.

**Memorial** – accounts for funds held in trust to maintain various monuments and fountains.

**Other** – accounts for various trusts.

**Enterprise Funds** – Separate schedules of revenues, expenditures and changes in fund balance – budget and actual – budgetary basis are provided for the airport, golf (nonmajor), sewer and water enterprise funds. The "actual" results columns of the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison with the budgets. Actual amounts can vary from GAAP amounts.

**Capital Assets** – Two separate schedules are provided for capital assets used in the operation of governmental activities.

**Agency Funds** – The agency fund is a fiduciary fund used to account for assets held in a custodial capacity

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

|  | <b>Special Revenue Funds</b> |                         |                             |                               |                           |
|--|------------------------------|-------------------------|-----------------------------|-------------------------------|---------------------------|
|  | <b>DCU<br/>Center</b>        | <b>School<br/>Lunch</b> | <b>Police<br/>Auxiliary</b> | <b>Off-Street<br/>Parking</b> | <b>City<br/>Revolving</b> |
| <b>Assets:</b>                         |                              |                         |                             |                               |                           |
| Cash and cash equivalents              | \$ -                         | -                       | -                           | -                             | -                         |
| Restricted cash and cash equivalents   | 187,770                      | 3,236,850               | 172,995                     | 645,118                       | 1,124,983                 |
| Restricted investments                 | -                            | -                       | -                           | -                             | -                         |
| Receivables                            | -                            | -                       | 557,744                     | -                             | 105,583                   |
| Due from other governments             | -                            | -                       | -                           | -                             | -                         |
| Total assets                           | \$ <u>187,770</u>            | <u>3,236,850</u>        | <u>730,739</u>              | <u>645,118</u>                | <u>1,230,566</u>          |
| <b>Liabilities and Fund Balances:</b>  |                              |                         |                             |                               |                           |
| <b>Liabilities:</b>                    |                              |                         |                             |                               |                           |
| Accounts payable                       | \$ -                         | 220,956                 | 172,995                     | 219,063                       | 6,524                     |
| Retainage payable                      | -                            | -                       | -                           | -                             | -                         |
| Temporary loans                        | -                            | -                       | -                           | -                             | -                         |
| Deferred revenue                       | -                            | -                       | 557,744                     | -                             | 105,583                   |
| Other liabilities                      | <u>1,424,290</u>             | <u>-</u>                | <u>-</u>                    | <u>-</u>                      | <u>-</u>                  |
| Total liabilities                      | <u>1,424,290</u>             | <u>220,956</u>          | <u>730,739</u>              | <u>219,063</u>                | <u>112,107</u>            |
| <b>Fund balances:</b>                  |                              |                         |                             |                               |                           |
| Nonspendable                           | -                            | -                       | -                           | -                             | -                         |
| Restricted                             | -                            | 3,015,894               | -                           | 426,055                       | 1,118,459                 |
| Committed                              | -                            | -                       | -                           | -                             | -                         |
| Unassigned                             | <u>(1,236,520)</u>           | <u>-</u>                | <u>-</u>                    | <u>-</u>                      | <u>-</u>                  |
| Total fund balances                    | <u>(1,236,520)</u>           | <u>3,015,894</u>        | <u>-</u>                    | <u>426,055</u>                | <u>1,118,459</u>          |
| Total liabilities and<br>fund balances | \$ <u><u>187,770</u></u>     | <u><u>3,236,850</u></u> | <u><u>730,739</u></u>       | <u><u>645,118</u></u>         | <u><u>1,230,566</u></u>   |

## Special Revenue Funds

| School<br>Revolving | Receipts<br>Reserved | Community<br>Development | Workforce<br>Central | City<br>Grants | Subtotal    |
|---------------------|----------------------|--------------------------|----------------------|----------------|-------------|
| -                   | 12,798,858           | -                        | -                    | -              | 12,798,858  |
| 2,021,309           | -                    | 148,875                  | 1,587,543            | 7,427,559      | 16,553,002  |
| -                   | -                    | -                        | -                    | -              | -           |
| -                   | -                    | -                        | -                    | -              | 663,327     |
| -                   | -                    | -                        | -                    | 1,285,141      | 1,285,141   |
| 2,021,309           | 12,798,858           | 148,875                  | 1,587,543            | 8,712,700      | 31,300,328  |
| 31,672              | -                    | 21,718                   | 95,110               | 742,636        | 1,510,674   |
| -                   | -                    | -                        | -                    | -              | -           |
| -                   | -                    | -                        | -                    | 150,000        | 150,000     |
| -                   | -                    | -                        | -                    | -              | 663,327     |
| -                   | -                    | -                        | -                    | -              | 1,424,290   |
| 31,672              | -                    | 21,718                   | 95,110               | 892,636        | 3,748,291   |
| -                   | -                    | -                        | -                    | -              | -           |
| 1,989,637           | -                    | 127,157                  | 1,492,433            | 7,820,064      | 15,989,699  |
| -                   | 12,798,858           | -                        | -                    | -              | 12,798,858  |
| -                   | -                    | -                        | -                    | -              | (1,236,520) |
| 1,989,637           | 12,798,858           | 127,157                  | 1,492,433            | 7,820,064      | 27,552,037  |
| 2,021,309           | 12,798,858           | 148,875                  | 1,587,543            | 8,712,700      | 31,300,328  |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

|  | <b>Capital Projects Funds</b>      |                                |   |                              |                                |
|--|------------------------------------|--------------------------------|---|------------------------------|--------------------------------|
|  | <b>DCU Center<br/>Construction</b> | <b>Street and<br/>Sidewalk</b> | <b>Rehabilitation<br/>of Public<br/>Buildings</b> | <b>Capital<br/>Equipment</b> | <b>School<br/>Construction</b> |
| <b>Assets:</b>                                     |                                    |                                |   |                              |                                |
| Cash and cash equivalents                          | \$ -                               | -                              | -   | -                            | -                              |
| Restricted cash and cash equivalents               | 864,065                            | 7,129,689                      | 2,253,605   | 1,215,142                    | 5,046,025                      |
| Restricted investments                             | -                                  | -                              | -   | -                            | -                              |
| Receivables  | -                                  | -                              | -   | -                            | -                              |
| Due from other governments                         | -                                  | -                              | -   | -                            | -                              |
| <b>Total assets</b>                                | <b>\$ 864,065</b>                  | <b>7,129,689</b>               | <b>2,253,605</b>                                  | <b>1,215,142</b>             | <b>5,046,025</b>               |
| <b>Liabilities and Fund Balances:</b>              |                                    |                                |   |                              |                                |
| <b>Liabilities:</b>                                |                                    |                                |   |                              |                                |
| Accounts payable                                   | \$ -                               | 407,107                        | 1,366,276   | 44,030                       | 849,333                        |
| Retainage payable                                  | 80,468                             | 476,960                        | 12,210  | 18                           | 2,294,169                      |
| Temporary loans                                    | 2,045,000                          | 8,035,000                      | 4,305,000   | 3,034,000                    | -                              |
| Deferred revenue                                   | -                                  | -                              | -   | -                            | -                              |
| Other liabilities                                  | -                                  | -                              | -   | -                            | -                              |
| <b>Total liabilities</b>                           | <b>2,125,468</b>                   | <b>8,919,067</b>               | <b>5,683,486</b>                                  | <b>3,078,048</b>             | <b>3,143,502</b>               |
| <b>Fund balances:</b>                              |                                    |                                |   |                              |                                |
| Nonspendable                                       | -                                  | -                              | -   | -                            | -                              |
| Restricted   | -                                  | -                              | -   | -                            | 1,902,523                      |
| Committed  | -                                  | -                              | -   | -                            | -                              |
| Unassigned   | (1,261,403)                        | (1,789,378)                    | (3,429,881)                                       | (1,862,906)                  | -                              |
| <b>Total fund balances</b>                         | <b>(1,261,403)</b>                 | <b>(1,789,378)</b>             | <b>(3,429,881)</b>                                | <b>(1,862,906)</b>           | <b>1,902,523</b>               |
| <b>Total liabilities and<br/>    fund balances</b> | <b>\$ 864,065</b>                  | <b>7,129,689</b>               | <b>2,253,605</b>                                  | <b>1,215,142</b>             | <b>5,046,025</b>               |

## Capital Projects Funds

| Parks<br>Improvements | Union Station<br>Garage | Franklin St.<br>Fire Station | Other     | Subtotal     |
|-----------------------|-------------------------|------------------------------|-----------|--------------|
| -                     | -                       | -                            | -         | -            |
| 3,003,760             | 1,652,669               | -                            | 2,551,188 | 23,716,143   |
| -                     | -                       | -                            | -         | -            |
| -                     | -                       | -                            | -         | -            |
| 506,300               | -                       | -                            | 131       | 506,431      |
| 3,510,060             | 1,652,669               | -                            | 2,551,319 | 24,222,574   |
| 723,315               | -                       | -                            | 345,087   | 3,735,148    |
| 191,727               | -                       | -                            | 68,566    | 3,124,118    |
| 4,533,000             | -                       | -                            | 1,110,000 | 23,062,000   |
| -                     | -                       | -                            | -         | -            |
| -                     | -                       | -                            | -         | -            |
| 5,448,042             | -                       | -                            | 1,523,653 | 29,921,266   |
| -                     | -                       | -                            | -         | -            |
| -                     | 1,652,669               | -                            | 1,027,666 | 4,582,858    |
| -                     | -                       | -                            | -         | -            |
| (1,937,982)           | -                       | -                            | -         | (10,281,550) |
| (1,937,982)           | 1,652,669               | -                            | 1,027,666 | (5,698,692)  |
| 3,510,060             | 1,652,669               | -                            | 2,551,319 | 24,222,574   |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

**Permanent Funds**

|  | <b>Hope<br/>Cemetery</b> | <b>Health<br/>Department</b> | <b>Libraries</b> | <b>Schools</b> | <b>Parks</b>   |
|--|--------------------------|------------------------------|------------------|----------------|----------------|
| <b>Assets:</b>                             |                          |                              |                  |                |                |
| Cash and cash equivalents                  | \$ -                     | -                            | -                | -              | -              |
| Restricted cash and cash equivalents       | 96,891                   | 74,320                       | 571,191          | 48,854         | 14,927         |
| Restricted investments                     | 2,662,954                | 2,030,875                    | 7,037,906        | 576,128        | 360,527        |
| Receivables                                | -                        | -                            | -                | -              | -              |
| Due from other governments                 | -                        | -                            | -                | -              | -              |
| <b>Total assets</b>                        | <b>\$ 2,759,845</b>      | <b>2,105,195</b>             | <b>7,609,097</b> | <b>624,982</b> | <b>375,454</b> |
| <b>Liabilities and Fund Balances:</b>      |                          |                              |                  |                |                |
| <b>Liabilities:</b>                        |                          |                              |                  |                |                |
| Accounts payable                           | \$ -                     | 57                           | 5,548            | -              | -              |
| Retainage payable                          | -                        | -                            | -                | -              | -              |
| Temporary loans                            | -                        | -                            | -                | -              | -              |
| Deferred revenue                           | -                        | -                            | -                | -              | -              |
| Other liabilities                          | -                        | -                            | -                | -              | -              |
| <b>Total liabilities</b>                   | <b>-</b>                 | <b>57</b>                    | <b>5,548</b>     | <b>-</b>       | <b>-</b>       |
| <b>Fund balances:</b>                      |                          |                              |                  |                |                |
| Nonspendable                               | 2,759,845                | 2,092,945                    | 7,561,949        | 593,806        | 371,526        |
| Restricted                                 | -                        | 12,193                       | 41,600           | 31,176         | 3,928          |
| Committed                                  | -                        | -                            | -                | -              | -              |
| Unassigned                                 | -                        | -                            | -                | -              | -              |
| <b>Total fund balances</b>                 | <b>2,759,845</b>         | <b>2,105,138</b>             | <b>7,603,549</b> | <b>624,982</b> | <b>375,454</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 2,759,845</b>      | <b>2,105,195</b>             | <b>7,609,097</b> | <b>624,982</b> | <b>375,454</b> |

| Permanent Funds |              |          |       |            | Total<br>Nonmajor<br>Governmental<br>Funds |
|-----------------|--------------|----------|-------|------------|--|
| Police          | Public Works | Memorial | Other | Subtotal   |  |
| -               | -            | -        | -     | -          | 12,798,858                                 |
| 233             | 11,258       | 22,024   | 2,163 | 841,861    | 41,111,006                                 |
| 7,576           | 319,323      | 477,531  | 5,294 | 13,478,114 | 13,478,114                                 |
| -               | -            | -        | -     | -          | 663,327                                    |
| -               | -            | -        | -     | -          | 1,791,572                                  |
| 7,809           | 330,581      | 499,555  | 7,457 | 14,319,975 | 69,842,877                                 |
| -               | -            | -        | -     | 5,605      | 5,251,427                                  |
| -               | -            | -        | -     | -          | 3,124,118                                  |
| -               | -            | -        | -     | -          | 23,212,000                                 |
| -               | -            | -        | -     | -          | 663,327                                    |
| -               | -            | -        | -     | -          | 1,424,290                                  |
| -               | -            | -        | -     | 5,605      | 33,675,162                                 |
| 7,809           | 329,160      | 492,242  | 5,457 | 14,214,739 | 14,214,739                                 |
| -               | 1,421        | 7,313    | 2,000 | 99,631     | 20,672,188                                 |
| -               | -            | -        | -     | -          | 12,798,858                                 |
| -               | -            | -        | -     | -          | (11,518,070)                               |
| 7,809           | 330,581      | 499,555  | 7,457 | 14,314,370 | 36,167,715                                 |
| 7,809           | 330,581      | 499,555  | 7,457 | 14,319,975 | 69,842,877                                 |

(Concluded)



**CITY OF WORCESTER, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

For the fiscal year ended June 30, 2011

|   | <b>Special Revenue Funds</b> |                         |                             |                               |                           |
|---|------------------------------|-------------------------|-----------------------------|-------------------------------|---------------------------|
|   | <b>DCU<br/>Center</b>        | <b>School<br/>Lunch</b> | <b>Police<br/>Auxiliary</b> | <b>Off-Street<br/>Parking</b> | <b>City<br/>Revolving</b> |
| <b>Revenues:</b>  |                              |                         |                             |                               |                           |
| Intergovernmental                                       | \$ -                         | 10,434,258              | 9,100                       | -                             | -                         |
| Investment earnings                                     | -                            | -                       | -                           | -                             | -                         |
| Charges for services                                    | 1,067,369                    | 585,390                 | 6,854,361                   | -                             | 608,863                   |
| Donations   | -                            | -                       | -                           | -                             | -                         |
| Contributions to permanent funds                        | -                            | -                       | -                           | -                             | -                         |
| Miscellaneous   | -                            | -                       | -                           | -                             | -                         |
| <b>Total revenues</b>                                   | <b>1,067,369</b>             | <b>11,019,648</b>       | <b>6,863,461</b>            | <b>-</b>                      | <b>608,863</b>            |
| <b>Expenditures:</b>                                    |                              |                         |                             |                               |                           |
| Current:  |                              |                         |                             |                               |                           |
| General government                                      | -                            | -                       | -                           | -                             | 21,078                    |
| Public safety   | -                            | -                       | 6,934,185                   | -                             | 334,549                   |
| Health and human services                               | -                            | -                       | -                           | -                             | 27,530                    |
| Education   | -                            | 9,553,811               | -                           | -                             | -                         |
| Public works  | -                            | -                       | -                           | 1,830,943                     | 68,533                    |
| Culture and recreation                                  | 634,581                      | -                       | -                           | -                             | -                         |
| Community development                                   | -                            | -                       | -                           | -                             | -                         |
| Debt service:   |                              |                         |                             |                               |                           |
| Principal   | 378,231                      | -                       | -                           | 943,888                       | -                         |
| Interest  | 263,811                      | -                       | -                           | 638,063                       | -                         |
| <b>Total expenditures</b>                               | <b>1,276,623</b>             | <b>9,553,811</b>        | <b>6,934,185</b>            | <b>3,412,894</b>              | <b>451,690</b>            |
| Excess (deficiency)<br>of revenues over<br>expenditures | (209,254)                    | 1,465,837               | (70,724)                    | (3,412,894)                   | 157,173                   |
| <b>Other financing sources (uses):</b>                  |                              |                         |                             |                               |                           |
| Transfers in  | 422,861                      | -                       | 55,769                      | 3,215,877                     | 217,000                   |
| Transfers (out)   | -                            | -                       | -                           | -                             | -                         |
| Premium on issuance of bonds                            | -                            | -                       | -                           | -                             | -                         |
| Issuance of bonds                                       | -                            | -                       | -                           | -                             | -                         |
| Sale of capital assets                                  | -                            | -                       | -                           | -                             | -                         |
| <b>Total other financing<br/>sources (uses)</b>         | <b>422,861</b>               | <b>-</b>                | <b>55,769</b>               | <b>3,215,877</b>              | <b>217,000</b>            |
| <b>Net change in<br/>fund balances</b>                  | <b>213,607</b>               | <b>1,465,837</b>        | <b>(14,955)</b>             | <b>(197,017)</b>              | <b>374,173</b>            |
| Fund balances – beginning                               | (1,450,127)                  | 1,550,057               | 14,955                      | 623,072                       | 744,286                   |
| Fund balances – ending                                  | \$ (1,236,520)               | 3,015,894               | -                           | 426,055                       | 1,118,459                 |

## Special Revenue Funds

| School<br>Revolving | Receipts<br>Reserved | Community<br>Development | Workforce<br>Central | City<br>Grants | Subtotal     |
|---------------------|----------------------|--------------------------|----------------------|----------------|--------------|
| 340,583             | 42,655               | 4,883,632                | 7,873,440            | 24,322,940     | 47,906,608   |
| -                   | -                    | -                        | -                    | 717            | 717          |
| 1,491,900           | 6,953,087            | -                        | 6,155                | 32,942         | 17,600,067   |
| -                   | -                    | -                        | -                    | 3,353,285      | 3,353,285    |
| -                   | -                    | -                        | -                    | -              | -            |
| -                   | 89,313               | -                        | -                    | -              | 89,313       |
| 1,832,483           | 7,085,055            | 4,883,632                | 7,879,595            | 27,709,884     | 68,949,990   |
| -                   | -                    | -                        | -                    | 1,784,134      | 1,805,212    |
| -                   | -                    | -                        | -                    | 5,589,551      | 12,858,285   |
| -                   | -                    | -                        | 7,443,137            | 14,319,565     | 21,790,232   |
| 1,208,048           | -                    | -                        | -                    | -              | 10,761,859   |
| -                   | -                    | -                        | -                    | 318,834        | 2,218,310    |
| -                   | -                    | -                        | -                    | 1,100,917      | 1,735,498    |
| -                   | -                    | 4,092,052                | -                    | 3,398,500      | 7,490,552    |
| -                   | -                    | 271,059                  | -                    | 103,000        | 1,696,178    |
| -                   | -                    | 217,999                  | -                    | 259,292        | 1,379,165    |
| 1,208,048           | -                    | 4,581,110                | 7,443,137            | 26,873,793     | 61,735,291   |
| 624,435             | 7,085,055            | 302,522                  | 436,458              | 836,091        | 7,214,699    |
| 2,721               | 11,690,400           | -                        | -                    | 818,390        | 16,423,018   |
| -                   | (17,843,914)         | (346,005)                | -                    | -              | (18,189,919) |
| -                   | 237,014              | -                        | -                    | -              | 237,014      |
| -                   | -                    | -                        | -                    | -              | -            |
| -                   | 478,100              | -                        | -                    | -              | 478,100      |
| 2,721               | (5,438,400)          | (346,005)                | -                    | 818,390        | (1,051,787)  |
| 627,156             | 1,646,655            | (43,483)                 | 436,458              | 1,654,481      | 6,162,912    |
| 1,362,481           | 11,152,203           | 170,640                  | 1,055,975            | 6,165,583      | 21,389,125   |
| 1,989,637           | 12,798,858           | 127,157                  | 1,492,433            | 7,820,064      | 27,552,037   |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

For the fiscal year ended June 30, 2011

|   | <b>Capital Projects Funds</b> |                                |   |                              |                                |
|---|-------------------------------|--------------------------------|---|------------------------------|--------------------------------|
|   | <b>DCU<br/>Construction</b>   | <b>Street and<br/>Sidewalk</b> | <b>Rehabilitation<br/>of Public<br/>Buildings</b> | <b>Capital<br/>Equipment</b> | <b>School<br/>Construction</b> |
| <b>Revenues:</b>  |                               |                                |   |                              |                                |
| Intergovernmental                                       | \$ -                          | 3,755,119                      | -   | -                            | 21,869,462                     |
| Investment earnings                                     | -                             | -                              | -   | -                            | -                              |
| Charges for services                                    | -                             | -                              | -   | -                            | -                              |
| Donations   | -                             | -                              | -   | -                            | -                              |
| Contributions to permanent funds                        | -                             | -                              | -   | -                            | -                              |
| Miscellaneous   | -                             | -                              | -   | -                            | -                              |
| Total revenues  | -                             | 3,755,119                      | -   | -                            | 21,869,462                     |
| <b>Expenditures:</b>                                    |                               |                                |   |                              |                                |
| Current:  |                               |                                |   |                              |                                |
| General government                                      | -                             | -                              | 217,566   | 183,191                      | -                              |
| Public safety   | -                             | -                              | 893,154   | 1,010,332                    | -                              |
| Health and human services                               | -                             | -                              | -   | -                            | -                              |
| Education   | -                             | -                              | 1,985,983   | 110,837                      | 25,449,676                     |
| Public works  | -                             | 11,985,764                     | 399,007   | 568,267                      | -                              |
| Culture and recreation                                  | 2,319,453                     | -                              | 6,440   | 170,703                      | -                              |
| Community development                                   | -                             | -                              | -   | -                            | -                              |
| Debt service:   |                               |                                |   |                              |                                |
| Principal   | -                             | -                              | -   | -                            | -                              |
| Interest  | -                             | -                              | -   | -                            | -                              |
| Total expenditures                                      | 2,319,453                     | 11,985,764                     | 3,502,150   | 2,043,330                    | 25,449,676                     |
| Excess (deficiency)<br>of revenues over<br>expenditures | (2,319,453)                   | (8,230,645)                    | (3,502,150)                                       | (2,043,330)                  | (3,580,214)                    |
| <b>Other financing sources (uses):</b>                  |                               |                                |   |                              |                                |
| Transfers in  | 44,874                        | 2,677,000                      | 655,016   | -                            | -                              |
| Transfers (out)   | (1,376)                       | (47,728)                       | -   | (95,519)                     | (177,669)                      |
| Premium on issuance of bonds                            | -                             | -                              | -   | -                            | -                              |
| Issuance of bonds                                       | 6,350,000                     | 8,025,000                      | 4,744,000   | 1,553,500                    | 10,000,000                     |
| Sale of capital assets                                  | -                             | -                              | -   | -                            | -                              |
| Total other financing<br>sources (uses)                 | 6,393,498                     | 10,654,272                     | 5,399,016   | 1,457,981                    | 9,822,331                      |
| <b>Net change in<br/>fund balances</b>                  | 4,074,045                     | 2,423,627                      | 1,896,866   | (585,349)                    | 6,242,117                      |
| Fund balances -- beginning                              | (5,335,448)                   | (4,213,005)                    | (5,326,747)                                       | (1,277,557)                  | (4,339,594)                    |
| Fund balances -- ending                                 | \$ (1,261,403)                | (1,789,378)                    | (3,429,881)                                       | (1,862,906)                  | 1,902,523                      |

## Capital Projects Funds

| <u>Parks<br/>Improvements</u> | <u>Union Station<br/>Garage</u> | <u>Franklin St.<br/>Fire Station</u> | <u>Other</u>       | <u>Subtotal</u>     |
|-------------------------------|---------------------------------|--------------------------------------|--------------------|---------------------|
| 1,219,710                     | -                               | -                                    | 441,495            | 27,285,786          |
| -                             | -                               | -                                    | -                  | -                   |
| -                             | -                               | -                                    | -                  | -                   |
| -                             | -                               | -                                    | -                  | -                   |
| -                             | -                               | -                                    | 53                 | 53                  |
| <u>1,219,710</u>              | <u>-</u>                        | <u>-</u>                             | <u>441,548</u>     | <u>27,285,839</u>   |
| -                             | -                               | -                                    | -                  | 400,757             |
| -                             | -                               | -                                    | 702,497            | 2,605,983           |
| -                             | -                               | -                                    | -                  | -                   |
| -                             | -                               | -                                    | -                  | 27,546,496          |
| -                             | -                               | -                                    | 888,035            | 13,841,073          |
| 5,223,672                     | -                               | -                                    | -                  | 7,720,268           |
| -                             | -                               | -                                    | 435,302            | 435,302             |
| -                             | -                               | -                                    | -                  | -                   |
| -                             | -                               | -                                    | -                  | -                   |
| <u>5,223,672</u>              | <u>-</u>                        | <u>-</u>                             | <u>2,025,834</u>   | <u>52,549,879</u>   |
| <u>(4,003,962)</u>            | <u>-</u>                        | <u>-</u>                             | <u>(1,584,286)</u> | <u>(25,264,040)</u> |
| 1,481,000                     | -                               | -                                    | 525,424            | 5,383,314           |
| -                             | (800,000)                       | (3,277)                              | -                  | (1,125,569)         |
| -                             | -                               | -                                    | -                  | -                   |
| 2,157,000                     | -                               | -                                    | 2,070,000          | 34,899,500          |
| -                             | -                               | -                                    | -                  | -                   |
| <u>3,638,000</u>              | <u>(800,000)</u>                | <u>(3,277)</u>                       | <u>2,595,424</u>   | <u>39,157,245</u>   |
| (365,962)                     | (800,000)                       | (3,277)                              | 1,011,138          | 13,893,205          |
| <u>(1,572,020)</u>            | <u>2,452,669</u>                | <u>3,277</u>                         | <u>16,528</u>      | <u>(19,591,897)</u> |
| <u>(1,937,982)</u>            | <u>1,652,669</u>                | <u>-</u>                             | <u>1,027,666</u>   | <u>(5,698,692)</u>  |

(Continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds

For the fiscal year ended June 30, 2011

|   | <b>Permanent Funds</b>     |                              |                         |                       |                       |
|---|----------------------------|------------------------------|-------------------------|-----------------------|-----------------------|
|   | <b>Hope<br/>Cemetery</b>   | <b>Health<br/>Department</b> | <b>Library</b>          | <b>Schools</b>        | <b>Parks</b>          |
| <b>Revenues:</b>  |                            |                              |                         |                       |                       |
| Intergovernmental                                       | \$ -                       | -                            | -                       | -                     | -                     |
| Investment earnings                                     | 534,589                    | 410,728                      | 1,072,205               | 115,909               | 72,173                |
| Charges for services                                    | -                          | -                            | -                       | -                     | -                     |
| Donations   | -                          | -                            | -                       | -                     | -                     |
| Contributions to permanent funds                        | 42,367                     | -                            | 1,015                   | 4,188                 | -                     |
| Miscellaneous   | -                          | -                            | -                       | -                     | -                     |
| Total revenues  | <u>576,956</u>             | <u>410,728</u>               | <u>1,073,220</u>        | <u>120,097</u>        | <u>72,173</u>         |
| <b>Expenditures:</b>                                    |                            |                              |                         |                       |                       |
| Current:  |                            |                              |                         |                       |                       |
| General government                                      | -                          | -                            | -                       | -                     | -                     |
| Public safety   | -                          | -                            | -                       | -                     | -                     |
| Health and human services                               | -                          | 33,955                       | -                       | -                     | -                     |
| Education   | -                          | -                            | -                       | 12,999                | -                     |
| Public works  | -                          | -                            | -                       | -                     | -                     |
| Culture and recreation                                  | -                          | -                            | 139,514                 | -                     | -                     |
| Community development                                   | -                          | -                            | -                       | -                     | -                     |
| Debt service:   |                            |                              |                         |                       |                       |
| Principal   | -                          | -                            | -                       | -                     | -                     |
| Interest  | -                          | -                            | -                       | -                     | -                     |
| Total expenditures                                      | <u>-</u>                   | <u>33,955</u>                | <u>139,514</u>          | <u>12,999</u>         | <u>-</u>              |
| Excess (deficiency)<br>of revenues over<br>expenditures | <u>576,956</u>             | <u>376,773</u>               | <u>933,706</u>          | <u>107,098</u>        | <u>72,173</u>         |
| <b>Other financing sources (uses):</b>                  |                            |                              |                         |                       |                       |
| Transfers in  | -                          | -                            | -                       | -                     | -                     |
| Transfers (out)   | (40,000)                   | -                            | -                       | -                     | -                     |
| Premium on issuance of bonds                            | -                          | -                            | -                       | -                     | -                     |
| Issuance of bonds                                       | -                          | -                            | -                       | -                     | -                     |
| Sale of capital assets                                  | -                          | -                            | -                       | -                     | -                     |
| Total other financing<br>sources (uses)                 | <u>(40,000)</u>            | <u>-</u>                     | <u>-</u>                | <u>-</u>              | <u>-</u>              |
| Net change in<br>fund balances                          | 536,956                    | 376,773                      | 933,706                 | 107,098               | 72,173                |
| Fund balances – beginning                               | <u>2,222,889</u>           | <u>1,728,365</u>             | <u>6,669,843</u>        | <u>517,884</u>        | <u>303,281</u>        |
| Fund balances – ending                                  | \$ <u><u>2,759,845</u></u> | <u><u>2,105,138</u></u>      | <u><u>7,603,549</u></u> | <u><u>624,982</u></u> | <u><u>375,454</u></u> |

| Permanent Funds |              |          |       |            | Total<br>Nonmajor<br>Governmental<br>Funds |
|-----------------|--------------|----------|-------|------------|--|
| Police          | Public Works | Memorial | Other | Subtotal   |  |
| -               | -            | -        | -     | -          | 75,192,394                                 |
| 1,517           | 63,943       | 95,623   | 1,069 | 2,367,756  | 2,368,473                                  |
| -               | -            | -        | -     | -          | 17,600,067                                 |
| -               | -            | -        | -     | -          | 3,353,285                                  |
| -               | -            | -        | -     | 47,570     | 47,570                                     |
| -               | -            | -        | -     | -          | 89,366                                     |
| 1,517           | 63,943       | 95,623   | 1,069 | 2,415,326  | 98,651,155                                 |
| -               | -            | -        | -     | -          | 2,205,969                                  |
| -               | -            | -        | -     | -          | 15,464,268                                 |
| -               | -            | -        | 500   | 34,455     | 21,824,687                                 |
| -               | -            | -        | -     | 12,999     | 38,321,354                                 |
| -               | 967          | -        | -     | 967        | 16,060,350                                 |
| -               | -            | -        | -     | 139,514    | 9,595,280                                  |
| -               | -            | -        | -     | -          | 7,925,854                                  |
| -               | -            | -        | -     | -          | 1,696,178                                  |
| -               | -            | -        | -     | -          | 1,379,165                                  |
| -               | 967          | -        | 500   | 187,935    | 114,473,105                                |
| 1,517           | 62,976       | 95,623   | 569   | 2,227,391  | (15,821,950)                               |
| -               | -            | -        | -     | -          | 21,806,332                                 |
| -               | -            | -        | -     | (40,000)   | (19,355,488)                               |
| -               | -            | -        | -     | -          | 237,014                                    |
| -               | -            | -        | -     | -          | 34,899,500                                 |
| -               | -            | -        | -     | -          | 478,100                                    |
| -               | -            | -        | -     | (40,000)   | 38,065,458                                 |
| 1,517           | 62,976       | 95,623   | 569   | 2,187,391  | 22,243,508                                 |
| 6,292           | 267,605      | 403,932  | 6,888 | 12,126,979 | 13,924,207                                 |
| 7,809           | 330,581      | 499,555  | 7,457 | 14,314,370 | 36,167,715                                 |

(Concluded)

## CITY OF WORCESTER, MASSACHUSETTS

## Airport Enterprise Fund

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance –  
 Budget and Actual – Budgetary Basis  
 For the fiscal year ended June 30, 2011

|  | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>    | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|--|----------------------------|-------------------------|------------------|---|
| Revenues:  |                            |                         |                  |   |
| Fees   | \$ -                       | -                       | -                | -   |
| Intergovernmental                                    | 3,856,150                  | 3,856,150               | 1,282,375        | (2,573,775)   |
| Miscellaneous  | -                          | -                       | 151,625          | 151,625   |
| Total revenues                                       | <u>3,856,150</u>           | <u>3,856,150</u>        | <u>1,434,000</u> | <u>(2,422,150)</u>  |
| Expenditures:  |                            |                         |                  |   |
| Salaries and benefits                                | 1,792,562                  | 1,782,770               | 1,410,053        | 372,717   |
| Ordinary maintenance                                 | 1,408,562                  | 1,408,562               | 6,941            | 1,401,621   |
| Debt service   | 575,731                    | 582,804                 | -                | 582,804   |
| Total expenditures                                   | <u>3,776,855</u>           | <u>3,774,136</u>        | <u>1,416,994</u> | <u>2,357,142</u>  |
| Excess/(deficiency) of revenues over<br>expenditures | 79,295                     | 82,014                  | 17,006           | (65,008)  |
| Other financing sources (uses):                      |                            |                         |                  |   |
| Transfers (out)                                      | <u>(79,295)</u>            | <u>(79,295)</u>         | -                | 79,295  |
| Net changes in fund balance                          | -                          | 2,719                   | 17,006           | 14,287  |
| Budgetary fund balance – beginning                   | <u>413,146</u>             | <u>413,146</u>          | <u>413,146</u>   | -   |
| Budgetary fund balance – ending                      | <u>\$ 413,146</u>          | <u>415,865</u>          | <u>430,152</u>   | <u>14,287</u>   |

## CITY OF WORCESTER, MASSACHUSETTS

## Golf Course Enterprise Fund (nonmajor)

## Schedule of Revenues, Expenditures and

## Changes in Fund Balance –

## Budget and Actual – Budgetary Basis

For the fiscal year ended June 30, 2011

|  | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>    | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|--|----------------------------|-------------------------|------------------|---|
| Revenues:  |                            |                         |                  |   |
| Fees   | \$ 1,231,300               | 1,231,300               | 1,026,395        | (204,905)   |
| Miscellaneous  | 23,160                     | 23,160                  | 9,077            | (14,083)  |
| Total revenues                                       | <u>1,254,460</u>           | <u>1,254,460</u>        | <u>1,035,472</u> | <u>(218,988)</u>  |
| Expenditures:  |                            |                         |                  |   |
| Salaries and benefits                                | 285,247                    | 289,214                 | 288,731          | 483   |
| Ordinary maintenance                                 | 685,093                    | 685,093                 | 682,889          | 2,204   |
| Debt service   | 231,844                    | 227,877                 | 220,540          | 7,337   |
| Indirect costs                                       | 31,187                     | 31,187                  | 31,024           | 163   |
| Total expenditures                                   | <u>1,233,371</u>           | <u>1,233,371</u>        | <u>1,223,184</u> | <u>10,187</u>   |
| Excess (deficiency) of revenues over<br>expenditures | <u>21,089</u>              | <u>21,089</u>           | <u>(187,712)</u> | <u>(208,801)</u>  |
| Other financing sources (uses):                      |                            |                         |                  |   |
| Transfers in   | -                          | 208,801                 | 208,801          | -   |
| Transfers (out)                                      | <u>(21,089)</u>            | <u>(21,089)</u>         | <u>(21,089)</u>  | <u>-</u>  |
| Total other financing<br>sources (uses)              | <u>(21,089)</u>            | <u>187,712</u>          | <u>187,712</u>   | <u>-</u>  |
| Net changes in fund balance                          | -                          | 208,801                 | -                | (208,801)   |
| Budgetary fund balance – beginning                   | -                          | -                       | -                | -   |
| Budgetary fund balance – ending                      | <u>\$ -</u>                | <u>208,801</u>          | <u>-</u>         | <u>(208,801)</u>  |



## CITY OF WORCESTER, MASSACHUSETTS

## Sewer Enterprise Fund

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance –  
 Budget and Actual – Budgetary Basis  
 For the fiscal year ended June 30, 2011

|                                      | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>     | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|--------------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues:                            |                            |                         |                   |   |
| Charges for services                 | \$ 32,692,878              | 32,692,878              | 31,671,935        | (1,020,943)   |
| Miscellaneous                        | <u>300,000</u>             | <u>300,000</u>          | <u>583,341</u>    | <u>283,341</u>  |
| Total revenues                       | <u>32,992,878</u>          | <u>32,992,878</u>       | <u>32,255,276</u> | <u>(737,602)</u>  |
| Expenditures:                        |                            |                         |                   |   |
| Salaries and benefits                | 5,685,785                  | 5,685,785               | 5,425,250         | 260,535   |
| Ordinary maintenance                 | 17,784,438                 | 17,784,438              | 16,358,174        | 1,426,264   |
| Capital                              | 24,500                     | 24,500                  | 7,297             | 17,203  |
| Debt service                         | 5,661,898                  | 5,661,898               | 5,632,464         | 29,434  |
| Indirect costs                       | <u>3,219,399</u>           | <u>3,219,399</u>        | <u>3,202,143</u>  | <u>17,256</u>   |
| Total expenditures                   | <u>32,376,020</u>          | <u>32,376,020</u>       | <u>30,625,328</u> | <u>1,750,692</u>  |
| Excess of revenues over expenditures | 616,858                    | 616,858                 | 1,629,948         | 1,013,090   |
| Other financing sources (uses):      |                            |                         |                   |   |
| Transfers (out)                      | <u>(616,858)</u>           | <u>(616,858)</u>        | <u>(616,858)</u>  | <u>-</u>  |
| Net changes in fund balance          | <u>-</u>                   | <u>-</u>                | <u>1,013,090</u>  | <u>1,013,090</u>  |
| Budgetary fund balance – beginning   | <u>7,890</u>               | <u>7,890</u>            | <u>7,890</u>      | <u>-</u>  |
| Budgetary fund balance – ending      | <u>\$ 7,890</u>            | <u>7,890</u>            | <u>1,020,980</u>  | <u>1,013,090</u>  |

## CITY OF WORCESTER, MASSACHUSETTS

## Water Enterprise Fund

Schedule of Revenues, Expenditures and  
 Changes in Fund Balance –  
 Budget and Actual – Budgetary Basis  
 For the fiscal year ended June 30, 2011

|                                      | <u>Original<br/>budget</u> | <u>Final<br/>budget</u> | <u>Actual</u>     | <u>Variance with<br/>final budget<br/>positive<br/>(negative)</u> |
|--------------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues:                            |                            |                         |                   |   |
| Charges for services                 | \$ 26,475,269              | 26,475,269              | 26,534,694        | 59,425  |
| Miscellaneous                        | 640,000                    | 640,000                 | 1,145,066         | 505,066   |
| Total revenues                       | <u>27,115,269</u>          | <u>27,115,269</u>       | <u>27,679,760</u> | <u>564,491</u>  |
| Expenditures:                        |                            |                         |                   |   |
| Salaries and benefits                | 10,034,081                 | 10,016,855              | 9,066,662         | 950,193   |
| Ordinary maintenance                 | 3,439,023                  | 3,439,023               | 3,339,410         | 99,613  |
| Capital                              | 25,000                     | 25,000                  | 18,180            | 6,820   |
| Debt service                         | 10,675,270                 | 10,675,270              | 10,655,965        | 19,305  |
| Indirect costs                       | 2,091,784                  | 2,109,010               | 2,109,040         | (30)  |
| Total expenditures                   | <u>26,265,158</u>          | <u>26,265,158</u>       | <u>25,189,257</u> | <u>1,075,901</u>  |
| Excess of revenues over expenditures | 850,111                    | 850,111                 | 2,490,503         | 1,640,392   |
| Other financing sources (uses):      |                            |                         |                   |   |
| Transfers (out)                      | <u>(850,111)</u>           | <u>(850,111)</u>        | <u>(850,111)</u>  | <u>-</u>  |
| Net changes in fund balance          | -                          | -                       | 1,640,392         | 1,640,392   |
| Budgetary fund balance – beginning   | <u>6,607</u>               | <u>6,607</u>            | <u>6,607</u>      | <u>-</u>  |
| Budgetary fund balance – ending      | <u>\$ 6,607</u>            | <u>6,607</u>            | <u>1,646,999</u>  | <u>1,640,392</u>  |

**CITY OF WORCESTER, MASSACHUSETTS**

Capital Assets Used in the Operation of Governmental Activities  
Schedule by Function and Activity

June 30, 2011

| <u>Function and activity</u>                    | <u>Land</u>          | <u>Buildings</u>   | <u>Improvements<br/>other than<br/>buildings</u> |
|---|----------------------|--------------------|--|
| General government:                             |                      |                    |  |
| Manager   | \$ 5,647,131         | -                  | -  |
| Information Services                            | -                    | 1,891,745          | -  |
| Law   | -                    | -                  | -  |
| Treasurer                                       | -                    | -                  | -  |
| Total general government                        | <u>5,647,131</u>     | <u>1,891,745</u>   | <u>-</u>   |
| Public safety:                                  |                      |                    |  |
| Police  | 514,500              | 2,359,496          | 268,424  |
| Fire  | 1,074,600            | 12,525,423         | -  |
| Code Inspection                                 | 209,905              | 412,639            | -  |
| Communications                                  | -                    | 740,625            | -  |
| Total public safety                             | <u>1,799,005</u>     | <u>16,038,183</u>  | <u>268,424</u>                                   |
| Health and human services:                      |                      |                    |  |
| Workforce Central                               | -                    | -                  | -  |
| Health  | -                    | -                  | -  |
| Elder Affairs                                   | -                    | 1,803,070          | 35,990   |
| Total health and human services                 | <u>-</u>             | <u>1,803,070</u>   | <u>35,990</u>                                    |
| Public works                                    | <u>3,489,339</u>     | <u>37,604,160</u>  | <u>498,673</u>                                   |
| Education                                       | <u>3,447,537</u>     | <u>184,440,986</u> | <u>1,956,314</u>                                 |
| Culture and recreation:                         |                      |                    |  |
| Library   | 305,000              | 15,784,115         | -  |
| Auditorium                                      | 150,000              | 1,592,792          | -  |
| DCU Center                                      | 263,000              | 45,248,726         | -  |
| Hope Cemetery                                   | 290,000              | 857,867            | -  |
| Parks   | 4,925,300            | 4,960,794          | 24,199,825                                       |
| Total culture and recreation                    | <u>5,933,300</u>     | <u>68,444,294</u>  | <u>24,199,825</u>                                |
| Total governmental activities<br>capital assets | <u>\$ 20,316,312</u> | <u>310,222,438</u> | <u>26,959,226</u>                                |

| <u>Rolling<br/>equipment</u> | <u>Equipment<br/>and other</u> | <u>Infrastructure</u> | <u>Construction<br/>in progress</u> | <u>Total</u> |
|------------------------------|--------------------------------|-----------------------|-------------------------------------|--------------|
| -                            | -                              | -                     | 1,451,627                           | 7,098,758    |
| -                            | 198,088                        | -                     | -                                   | 2,089,833    |
| -                            | -                              | -                     | -                                   | -            |
| -                            | 294                            | -                     | -                                   | 294          |
| -                            | 198,382                        | -                     | 1,451,627                           | 9,188,885    |
| 66,595                       | 31,545                         | -                     | -                                   | 3,240,560    |
| 2,874,454                    | 62,201                         | 54,004                | 499,298                             | 17,089,980   |
| -                            | 3,839                          | -                     | -                                   | 626,383      |
| -                            | 247,777                        | -                     | -                                   | 988,402      |
| 2,941,049                    | 345,362                        | 54,004                | 499,298                             | 21,945,325   |
| -                            | -                              | -                     | -                                   | -            |
| -                            | -                              | -                     | -                                   | -            |
| -                            | -                              | -                     | -                                   | 1,839,060    |
| -                            | -                              | -                     | -                                   | 1,839,060    |
| 2,053,124                    | 92,942                         | 95,076,700            | 37,208,951                          | 176,023,889  |
| 245,121                      | 854,015                        | -                     | 59,185,596                          | 250,129,569  |
| -                            | 384,961                        | -                     | -                                   | 16,474,076   |
| -                            | -                              | -                     | -                                   | 1,742,792    |
| -                            | 62,991                         | -                     | 80,468                              | 45,655,185   |
| -                            | -                              | -                     | -                                   | 1,147,867    |
| 312,898                      | 158,827                        | 226,308               | 1,093,224                           | 35,877,176   |
| 312,898                      | 606,779                        | 226,308               | 1,173,692                           | 100,897,096  |
| 5,552,192                    | 2,097,480                      | 95,357,012            | 99,519,164                          | 560,023,824  |

## CITY OF WORCESTER, MASSACHUSETTS

Capital Assets Used in the Operation of Governmental Activities  
Schedule of Changes by Function and Activity

For the Fiscal Year Ended June 30, 2011

| Function and activity                        | Governmental<br>activities<br>capital assets<br>July 1, 2010 | Additions  | Deductions | Governmental<br>activities<br>capital assets<br>June 30, 2011 |
|--|--|------------|------------|---|
| General government:                          |  |            |            |   |
| Manager                                      | \$ 3,525,231   | 4,051,627  | 478,100    | 7,098,758   |
| Information Services                         | 2,176,694  | -          | 86,861     | 2,089,833   |
| Law  | 1,726  | -          | 1,726      | -   |
| Treasurer                                    | 884  | -          | 590        | 294   |
| Total general government                     | 5,704,535  | 4,051,627  | 567,277    | 9,188,885   |
| Public safety:                               |  |            |            |   |
| Police                                       | 3,555,280  | -          | 314,720    | 3,240,560   |
| Fire   | 16,904,120   | 1,070,106  | 884,246    | 17,089,980  |
| Code Inspection                              | 682,199  | -          | 55,816     | 626,383   |
| Communications                               | 365,828  | 750,000    | 127,426    | 988,402   |
| Total public safety                          | 21,507,427   | 1,820,106  | 1,382,208  | 21,945,325  |
| Health and human services:                   |  |            |            |   |
| Workforce Central                            | 343  | -          | 343        | -   |
| Health                                       | 609  | -          | 609        | -   |
| Elder Affairs                                | 2,055,271  | -          | 216,211    | 1,839,060   |
| Total health and human services              | 2,056,223  | -          | 217,163    | 1,839,060   |
| Public works                                 | 153,478,390  | 32,885,664 | 10,340,165 | 176,023,889   |
| Education                                    | 234,236,856  | 26,507,599 | 10,614,886 | 250,129,569   |
| Culture and recreation:                      |  |            |            |   |
| Library                                      | 17,244,926   | -          | 770,850    | 16,474,076  |
| Auditorium                                   | 1,912,025  | -          | 169,234    | 1,742,791   |
| DCU Center                                   | 45,916,287   | 2,373,372  | 2,634,473  | 45,655,186  |
| Hope Cemetery                                | 1,178,536  | -          | 30,669     | 1,147,867   |
| Parks  | 32,053,636   | 5,825,909  | 2,002,369  | 35,877,176  |
| Total culture and recreation                 | 98,305,410   | 8,199,281  | 5,607,595  | 100,897,096   |
| Total governmental activities capital assets | \$ 515,288,841   | 73,464,277 | 28,729,294 | 560,023,824   |

## CITY OF WORCESTER, MASSACHUSETTS

## Agency Fund

## Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2011

|                                       | <b>Balance</b><br><b>July 1, 2010</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance</b><br><b>June 30, 2011</b> |
|---------------------------------------|---------------------------------------|------------------|-------------------|--|
| <b>ASSETS</b>                         |                                       |                  |                   |  |
| Cash and cash equivalents             | \$ 468,960                            | 508,812          | (543,152)         | 434,620                                |
| <b>LIABILITIES</b>                    |                                       |                  |                   |  |
| Accounts payable and accrued expenses | \$ 18,428                             | 6,619            | (18,428)          | 6,619                                  |
| Due to student groups                 | 450,532                               | 489,463          | (511,994)         | 428,001                                |
| Total liabilities                     | \$ 468,960                            | 496,082          | (530,422)         | 434,620                                |

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## **STATISTICAL SECTION**



## STATISTICAL SECTION

This part of the City of Worcester's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  |      |
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| These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.  |      |
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| These schedules contain information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.                     |      |
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**CITY OF WORCESTER, MASSACHUSETTS**

Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

Table 1

|   | 2002           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Governmental activities:</b>                 |                |                |                |                |                |                |                |                |                |                |
| Invested in capital assets, net of related debt | 74,722         | 118,339        | 140,340        | 127,478        | 128,364        | 175,962        | 187,454        | 201,247        | 236,864        | 280,669        |
| Restricted                                      | 19,749         | 11,862         | 13,305         | 39,064         | 29,255         | 45,711         | 65,072         | 42,371         | 29,804         | 42,290         |
| Unrestricted                                    | (62,653)       | (91,985)       | (109,751)      | (114,087)      | (118,507)      | (114,663)      | (163,105)      | (175,323)      | (208,915)      | (230,791)      |
| <b>Total governmental activities net assets</b> | <b>31,818</b>  | <b>38,216</b>  | <b>43,894</b>  | <b>52,455</b>  | <b>39,112</b>  | <b>107,010</b> | <b>89,421</b>  | <b>68,295</b>  | <b>57,753</b>  | <b>92,168</b>  |
| <b>Business-type activities:</b>                |                |                |                |                |                |                |                |                |                |                |
| Invested in capital assets, net of related debt | 113,110        | 110,722        | 117,755        | 109,124        | 104,871        | 99,181         | 110,861        | 121,480        | 120,990        | 87,708         |
| Restricted                                      | 420            | 413            | 253            | 2,749          | -              | -              | -              | -              | -              | 1,601          |
| Unrestricted                                    | 11,387         | 12,739         | 6,768          | 13,550         | 20,271         | 24,749         | 11,716         | 10,026         | 7,978          | 8,344          |
| <b>Total business-type net assets</b>           | <b>124,917</b> | <b>123,874</b> | <b>124,776</b> | <b>125,423</b> | <b>125,142</b> | <b>123,930</b> | <b>122,577</b> | <b>131,506</b> | <b>128,968</b> | <b>97,653</b>  |
| <b>Primary government:</b>                      |                |                |                |                |                |                |                |                |                |                |
| Invested in capital assets, net of related debt | 187,832        | 229,061        | 258,095        | 236,602        | 233,235        | 275,143        | 298,315        | 322,727        | 357,854        | 368,377        |
| Restricted                                      | 20,169         | 12,275         | 13,558         | 41,813         | 29,255         | 45,711         | 65,072         | 42,371         | 29,804         | 43,891         |
| Unrestricted                                    | (51,266)       | (79,246)       | (102,983)      | (100,537)      | (98,236)       | (89,914)       | (151,389)      | (165,297)      | (200,937)      | (222,447)      |
| <b>Total primary government net assets</b>      | <b>156,735</b> | <b>162,090</b> | <b>168,670</b> | <b>177,878</b> | <b>164,254</b> | <b>230,940</b> | <b>211,998</b> | <b>199,801</b> | <b>186,721</b> | <b>189,821</b> |

**CITY OF WORCESTER, MASSACHUSETTS**

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

Table 2

|   | 2002       | 2003    | 2004    | 2005    | 2006    | 2007    | 2008 (2) | 2009    | 2010    | 2011    |
|---|------------|---------|---------|---------|---------|---------|----------|---------|---------|---------|
| <b>Expenses</b>                                 |            |         |         |         |         |         |          |         |         |         |
| Governmental activities:                        |            |         |         |         |         |         |          |         |         |         |
| General government                              | \$ 20,689  | 14,195  | 14,458  | 16,316  | 18,222  | 19,583  | 22,268   | 23,416  | 20,862  | 21,026  |
| Public safety                                   | 85,686     | 93,949  | 98,633  | 105,119 | 113,545 | 115,321 | 132,411  | 130,554 | 126,546 | 123,114 |
| Health and human services                       | 20,933     | 19,164  | 17,431  | 21,524  | 20,880  | 19,873  | 23,366   | 21,229  | 23,994  | 25,033  |
| Education                                       | 278,295    | 303,760 | 314,670 | 329,699 | 353,126 | 366,311 | 406,208  | 421,160 | 425,765 | 432,824 |
| Public works                                    | 22,126     | 26,567  | 34,274  | 31,077  | 27,027  | 26,954  | 34,727   | 41,457  | 33,387  | 37,435  |
| Culture and recreation                          | 13,297     | 14,513  | 16,073  | 14,625  | 15,794  | 18,621  | 19,895   | 16,475  | 20,018  | 17,528  |
| Community development                           | 4,518      | 4,002   | 4,429   | 4,189   | 3,565   | 3,873   | 4,764    | 4,942   | 6,118   | 7,926   |
| Redevelopment                                   | 2,719      | 4,238   | 30      | 5,770   | -       | -       | -        | -       | -       | -       |
| Interest on debt                                | 24,624     | 24,913  | 24,626  | 25,734  | 25,336  | 25,283  | 25,366   | 24,534  | 25,351  | 22,573  |
| Total governmental activities expenses          | 472,887    | 505,301 | 524,624 | 554,053 | 577,495 | 595,819 | 669,005  | 683,767 | 682,041 | 687,459 |
| Business-type activities:                       |            |         |         |         |         |         |          |         |         |         |
| Water   | 20,352     | 20,753  | 20,804  | 21,535  | 22,141  | 24,727  | 25,213   | 25,669  | 25,638  | 24,911  |
| Sewer   | 16,731     | 16,310  | 17,238  | 22,719  | 24,352  | 28,309  | 29,258   | 31,134  | 32,742  | 33,737  |
| Airport   | 4,906      | 4,389   | 3,958   | 4,158   | 4,527   | 4,360   | 4,703    | 5,082   | 5,047   | 1,417   |
| Golf course (nonmajor)                          | 1,215      | 1,082   | 1,030   | 1,026   | 1,164   | 1,180   | 1,227    | 1,148   | 1,122   | 1,238   |
| Total business-type expenses                    | 43,204     | 42,534  | 43,030  | 49,438  | 52,184  | 58,576  | 60,401   | 63,033  | 64,549  | 61,303  |
| Total primary government expenses               | \$ 516,091 | 547,835 | 567,654 | 603,491 | 629,679 | 654,395 | 729,406  | 746,800 | 746,590 | 748,762 |
| <b>Program Revenues</b>                         |            |         |         |         |         |         |          |         |         |         |
| Governmental activities:                        |            |         |         |         |         |         |          |         |         |         |
| Charges for services:                           |            |         |         |         |         |         |          |         |         |         |
| Public safety                                   | 7,858      | 11,652  | 12,043  | 12,997  | 12,940  | 13,925  | 13,580   | 11,813  | 13,536  | 13,775  |
| Public works                                    | 5,219      | 4,510   | 6,337   | 6,674   | 7,436   | 8,005   | 9,160    | 11,078  | 10,970  | 10,986  |
| Other activities                                | 7,975      | 8,784   | 6,823   | 6,889   | 6,700   | 7,780   | 7,641    | 7,383   | 8,443   | 9,738   |
| Operating grants and contributions              | 251,539    | 277,029 | 284,486 | 303,411 | 295,107 | 315,692 | 326,260  | 345,103 | 348,563 | 368,157 |
| Capital grants and contributions                | 2,315      | 2,338   | 4,539   | 5,160   | 5,217   | 65,551  | 28,979   | 23,187  | 28,084  | 32,916  |
| Total governmental activities program revenues  | 274,906    | 304,313 | 314,228 | 335,131 | 327,400 | 410,953 | 385,620  | 398,564 | 409,596 | 435,572 |
| Business-type activities:                       |            |         |         |         |         |         |          |         |         |         |
| Charges for services:                           |            |         |         |         |         |         |          |         |         |         |
| Water   | 21,686     | 22,534  | 23,154  | 24,132  | 22,735  | 24,623  | 24,251   | 24,993  | 24,102  | 25,946  |
| Sewer   | 14,190     | 14,548  | 15,627  | 19,775  | 22,449  | 25,670  | 26,928   | 28,939  | 29,247  | 31,320  |
| Airport   | 1,651      | 1,002   | 687     | 915     | 978     | 844     | 802      | 862     | 1,015   | 152     |
| Golf course (nonmajor)                          | 1,114      | 1,050   | 1,068   | 1,029   | 1,041   | 1,088   | 1,127    | 1,048   | 987     | 1,035   |
| Operating grants and contributions              | 733        | 1,329   | 1,202   | 1,241   | 1,006   | 593     | 1,174    | 1,395   | 1,413   | 1,282   |
| Capital grants and contributions                | 2,247      | 1,470   | 3,362   | 3,081   | 3,114   | 2,255   | 4,226    | 14,821  | 3,514   | 641     |
| Total business-type activities program revenues | 41,621     | 41,933  | 45,100  | 50,173  | 51,323  | 55,073  | 58,508   | 72,058  | 60,278  | 60,376  |
| Total primary government program revenues       | \$ 316,527 | 346,246 | 359,328 | 385,304 | 378,723 | 466,026 | 444,128  | 470,622 | 469,874 | 495,948 |

(continued)

**CITY OF WORCESTER, MASSACHUSETTS**

Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

Table 2

|  | 2002                | 2003             | 2004             | 2005             | 2006             | 2007             | 2008 (2)         | 2009             | 2010             | 2011             |
|--|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Net (expense)/revenue  |                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Governmental activities  | \$ (197,981)        | (200,988)        | (210,396)        | (218,922)        | (250,095)        | (184,866)        | (283,385)        | (285,203)        | (272,445)        | (251,887)        |
| Business-type activities   | (1,583)             | (601)            | 2,070            | 735              | (861)            | (3,503)          | (1,893)          | 9,025            | (4,271)          | (927)            |
| Total primary government net (expense)/ revenue                          | <u>\$ (199,564)</u> | <u>(201,589)</u> | <u>(208,326)</u> | <u>(218,187)</u> | <u>(250,956)</u> | <u>(188,369)</u> | <u>(285,278)</u> | <u>(276,178)</u> | <u>(276,716)</u> | <u>(252,814)</u> |
| <b>General Revenues and Other Changes in Net Assets</b>                  |                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Governmental activities:   |                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Property taxes   | \$ 139,027          | 144,316          | 156,461          | 161,648          | 171,490          | 179,130          | 188,930          | 197,472          | 205,558          | 215,511          |
| Motor vehicle excise taxes   | 12,941              | 13,438           | 12,581           | 13,503           | 12,096           | 11,893           | 12,932           | 11,393           | 11,050           | 11,519           |
| Intergovernmental  | 47,425              | 42,016           | 39,406           | 43,026           | 44,146           | 53,813           | 54,561           | 48,493           | 37,476           | 36,220           |
| Other  | 8,685               | 7,174            | 6,458            | 9,073            | 9,493            | 10,060           | 9,000            | 6,269            | 9,505            | 12,809           |
| Transfers (net)  | (857)               | 442              | 1,168            | 88               | (580)            | (2,291)          | (540)            | 96               | (1,733)          | 13,250           |
| Gain on sale of capital assets   | -                   | -                | -                | -                | -                | -                | 622              | 296              | -                | -                |
| Donations  | -                   | -                | -                | 145              | 107              | 159              | 291              | 58               | 47               | 48               |
| Extraordinary item - transfer of airport debt to governmental activities | -                   | -                | -                | -                | -                | -                | -                | -                | -                | (3,055)          |
| Total governmental activities  | <u>207,221</u>      | <u>207,386</u>   | <u>216,074</u>   | <u>227,483</u>   | <u>236,752</u>   | <u>252,764</u>   | <u>265,796</u>   | <u>264,077</u>   | <u>261,903</u>   | <u>286,302</u>   |
| Business-type activities   |                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Transfers (net)  | 857                 | (442)            | (1,168)          | (88)             | 580              | 2,291            | 540              | (96)             | 1,733            | (13,250)         |
| Loss on airport disposal   | -                   | -                | -                | -                | -                | -                | -                | -                | -                | (20,193)         |
| Extraordinary item - transfer of airport debt to governmental activities | -                   | -                | -                | -                | -                | -                | -                | -                | -                | 3,055            |
| Total business-type activities   | <u>857</u>          | <u>(442)</u>     | <u>(1,168)</u>   | <u>(88)</u>      | <u>580</u>       | <u>2,291</u>     | <u>540</u>       | <u>(96)</u>      | <u>1,733</u>     | <u>(30,388)</u>  |
| Total primary government   | <u>\$ 208,078</u>   | <u>206,944</u>   | <u>214,906</u>   | <u>227,395</u>   | <u>237,332</u>   | <u>255,055</u>   | <u>266,336</u>   | <u>263,981</u>   | <u>263,636</u>   | <u>255,914</u>   |
| <b>Changes in Net Assets</b>   |                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Governmental activities  | \$ 9,240            | 6,398            | 5,678            | 8,561            | (13,343)         | 67,898           | (17,589)         | (21,126)         | (10,542)         | 34,415           |
| Business-type activities   | (726)               | (1,043)          | 902              | 647              | (281)            | (1,212)          | (1,353)          | 8,929            | (2,538)          | (31,315)         |
| Total primary government   | <u>\$ 8,514</u>     | <u>5,355</u>     | <u>6,580</u>     | <u>9,208</u>     | <u>(13,624)</u>  | <u>66,686</u>    | <u>(18,942)</u>  | <u>(12,197)</u>  | <u>(13,080)</u>  | <u>3,100</u>     |

(1) OPEB liability was recognized in the financial statements starting in fiscal 2008.

(concluded)

**CITY OF WORCESTER, MASSACHUSETTS**  
Governmental Activities Tax Revenues by Source  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

Table 3

| Fiscal<br>Year | Property<br>Tax | Motor<br>Vehicle<br>Excise Tax | Hotel/Motel<br>Tax | Meals Tax | Sales Tax | Total   |
|----------------|-----------------|--------------------------------|--------------------|-----------|-----------|---------|
| 2002           | \$ 139,027      | 12,941                         | 782                | -         | -         | 152,750 |
| 2003           | 144,316         | 13,438                         | 713                | -         | -         | 158,467 |
| 2004           | 156,461         | 12,581                         | 684                | -         | -         | 169,726 |
| 2005           | 161,648         | 13,503                         | 753                | -         | -         | 175,904 |
| 2006           | 171,490         | 12,096                         | 709                | -         | -         | 184,295 |
| 2007           | 179,130         | 11,893                         | 845                | -         | -         | 191,868 |
| 2008           | 188,930         | 12,932                         | 1,104              | 198       | 20        | 203,184 |
| 2009           | 197,472         | 11,393                         | 1,483              | 327       | 30        | 210,705 |
| 2010           | 205,558         | 11,050                         | 1,422              | 1,431     | 31        | 219,492 |
| 2011           | 215,511         | 11,519                         | 1,787              | 2,450     | 32        | 231,299 |

**CITY OF WORCESTER, MASSACHUSETTS**

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

Table 4

|                                    | 2002             | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
|------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General fund:                      |                  |               |               |               |               |               |               |               |               | (2)           |
| Reserved                           | \$ 1,618         | 1,618         | 1,618         | 1,618         | -             | -             | -             | -             | -             | -             |
| Unreserved                         | 8,890            | 9,437         | 10,385        | 14,857        | 9,290         | 10,025        | 11,906        | 6,107         | 12,029        | -             |
| Restricted                         | -                | -             | -             | -             | -             | -             | -             | -             | -             | 1,070         |
| Unassigned                         | -                | -             | -             | -             | -             | -             | -             | -             | -             | 17,758        |
| Total general fund                 | <u>\$ 10,508</u> | <u>11,055</u> | <u>12,003</u> | <u>16,475</u> | <u>9,290</u>  | <u>10,025</u> | <u>11,906</u> | <u>6,107</u>  | <u>12,029</u> | <u>18,828</u> |
| All other governmental funds:      |                  |               |               |               |               |               |               |               |               |               |
| Reserved                           | \$ 24,515        | 28,180        | 32,861        | 37,387        | 29,102        | 34,323        | 30,418        | 34,077        | 24,963        | -             |
| Unreserved, reported in:           |                  |               |               |               |               |               |               |               |               |               |
| Special revenue funds              | 13,748           | 18,526        | 20,103        | 20,646        | 18,056        | 11,171        | 13,438        | 17,974        | 18,098        | -             |
| Capital projects funds (1)         | (17,383)         | (13,988)      | 20,372        | 16,923        | (12,039)      | 11,196        | 34,529        | 8,215         | 4,752         | -             |
| Permanent funds                    | 742              | 127           | 88            | 60            | 153           | 191           | 125           | 79            | 89            | -             |
| Nonspendable                       | -                | -             | -             | -             | -             | -             | -             | -             | -             | 14,215        |
| Restricted                         | -                | -             | -             | -             | -             | -             | -             | -             | -             | 37,287        |
| Committed                          | -                | -             | -             | -             | -             | -             | -             | -             | -             | 22,673        |
| Unassigned                         | -                | -             | -             | -             | -             | -             | -             | -             | -             | (11,518)      |
| Total all other governmental funds | <u>\$ 21,622</u> | <u>32,845</u> | <u>73,424</u> | <u>75,016</u> | <u>35,272</u> | <u>56,881</u> | <u>78,510</u> | <u>60,345</u> | <u>47,902</u> | <u>62,657</u> |

(1) Unreserved fund balance in capital projects funds increased when temporary debt outstanding at year end was repaid with permanent debt before the audit reporting date in fiscal 2004, 2005 and 2008.

(2) Fund balances were redefined by GASB Statement #54 starting in fiscal 2011.

**CITY OF WORCESTER, MASSACHUSETTS**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

Table 5

|  | 2002           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>REVENUES</b>                            |                |                |                |                |                |                |                |                |                |                |
| Property taxes                             | \$ 140,712     | 148,322        | 156,945        | 163,706        | 171,484        | 177,781        | 189,419        | 197,777        | 204,832        | 216,370        |
| Motor vehicle excise taxes                 | 13,091         | 14,085         | 13,205         | 13,101         | 12,189         | 12,545         | 12,677         | 11,370         | 11,551         | 11,311         |
| Other taxes and in-lieu payments           | 2,411          | 2,215          | 2,123          | 1,971          | 2,252          | 2,188          | 3,684          | 4,941          | 5,539          | 6,365          |
| Penalties and interest on taxes            | 1,977          | 2,702          | 2,669          | 2,867          | 2,564          | 2,520          | 2,414          | 2,605          | 2,272          | 2,285          |
| Licenses and permits                       | 4,468          | 5,266          | 5,486          | 5,692          | 5,571          | 4,354          | 4,726          | 4,402          | 4,890          | 4,865          |
| Intergovernmental (1)                      | 302,715        | 315,660        | 327,833        | 356,548        | 350,840        | 407,873        | 405,755        | 411,424        | 423,208        | 445,106        |
| Charges for services                       | 14,595         | 17,644         | 16,758         | 17,645         | 17,913         | 19,920         | 21,107         | 21,055         | 22,847         | 23,539         |
| Fines and forfeitures                      | 2,122          | 2,636          | 2,554          | 2,925          | 3,234          | 3,148          | 3,308          | 3,137          | 3,190          | 2,806          |
| Investment earnings                        | 755            | 1,085          | 1,811          | 2,056          | 3,100          | 4,292          | 2,766          | (929)          | 1,598          | 2,543          |
| Donations                                  | 4,731          | 2,683          | 3,022          | 2,908          | 2,640          | 3,793          | 4,951          | 2,468          | 3,633          | 5,528          |
| Contributions to permanent funds           | 62             | 65             | 48             | 145            | 107            | 159            | 291            | 58             | 47             | 48             |
| Miscellaneous                              | 1,713          | 1,215          | 1,224          | 3,063          | 1,725          | 1,295          | 1,013          | 1,246          | 1,621          | 89             |
| Total revenues                             | <u>489,352</u> | <u>513,578</u> | <u>533,678</u> | <u>572,627</u> | <u>573,619</u> | <u>639,868</u> | <u>652,111</u> | <u>659,554</u> | <u>685,228</u> | <u>720,855</u> |
| <b>EXPENDITURES</b>                        |                |                |                |                |                |                |                |                |                |                |
| General government                         | 17,652         | 12,006         | 12,023         | 13,861         | 14,314         | 15,720         | 17,957         | 16,644         | 15,308         | 15,936         |
| Public safety                              | 74,806         | 75,079         | 72,876         | 79,286         | 82,119         | 87,316         | 93,942         | 92,323         | 89,308         | 90,395         |
| Health and human services                  | 17,967         | 17,001         | 14,055         | 18,545         | 17,045         | 16,470         | 19,649         | 18,172         | 21,118         | 22,499         |
| Education                                  | 241,600        | 239,150        | 256,223        | 271,977        | 261,385        | 257,076        | 261,869        | 285,359        | 297,701        | 302,392        |
| Public works                               | 21,069         | 24,026         | 24,833         | 29,652         | 29,629         | 44,611         | 49,363         | 39,126         | 39,087         | 53,773         |
| Culture and recreation                     | 19,475         | 12,791         | 11,314         | 14,295         | 11,323         | 14,203         | 14,766         | 16,753         | 20,952         | 17,402         |
| Fringe benefits                            | 71,052         | 85,622         | 103,213        | 118,377        | 126,381        | 130,746        | 136,213        | 124,318        | 138,899        | 147,319        |
| Community development                      | 4,518          | 4,001          | 4,429          | 4,189          | 3,565          | 3,873          | 4,764          | 4,942          | 6,118          | 7,926          |
| Redevelopment                              | 2,719          | 4,238          | 30             | 5,769          | -              | -              | -              | -              | -              | -              |
| State & regional charges (1)               | 2,276          | 2,424          | 14,909         | 16,514         | 19,445         | 20,551         | 23,914         | 26,102         | 26,865         | 28,255         |
| Debt service:                              |                |                |                |                |                |                |                |                |                |                |
| Principal                                  | 25,997         | 26,715         | 27,216         | 28,124         | 30,430         | 32,886         | 32,774         | 34,761         | 36,637         | 38,813         |
| Interest                                   | 24,223         | 25,464         | 24,515         | 24,674         | 25,034         | 26,020         | 25,829         | 26,098         | 24,827         | 24,023         |
| Total expenditures                         | <u>523,354</u> | <u>528,517</u> | <u>565,636</u> | <u>625,263</u> | <u>620,670</u> | <u>649,472</u> | <u>681,040</u> | <u>684,598</u> | <u>716,820</u> | <u>748,733</u> |
| Excess of revenues<br>(under) expenditures | (34,002)       | (14,939)       | (31,958)       | (52,636)       | (47,051)       | (9,604)        | (28,929)       | (25,044)       | (31,592)       | (27,878)       |

(continued)



**CITY OF WORCESTER, MASSACHUSETTS**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

Table 5

|  | 2002              | 2003          | 2004          | 2005          | 2006            | 2007          | 2008          | 2009            | 2010           | 2011          |
|--|-------------------|---------------|---------------|---------------|-----------------|---------------|---------------|-----------------|----------------|---------------|
| <b>OTHER FINANCING SOURCES (USES)</b>                      |                   |               |               |               |                 |               |               |                 |                |               |
| Transfers in   | \$ 12,576         | 17,947        | 14,248        | 17,608        | 14,048          | 13,968        | 21,296        | 23,452          | 21,954         | 51,549        |
| Transfers (out)  | (13,433)          | (17,505)      | (13,722)      | (17,520)      | (14,628)        | (16,259)      | (20,713)      | (23,356)        | (23,686)       | (38,299)      |
| Premium on issuance of bonds and notes                     | 1,262             | 633           | 487           | 3,697         | 702             | 464           | 423           | 651             | 820            | 804           |
| Sale of capital assets                                     | -                 | -             | -             | -             | -               | -             | 1,366         | 325             | 29             | 478           |
| Issuance of refunding bonds                                | 11,135            | 9,345         | -             | 18,241        | 55,960          | -             | -             | 542             | -              | -             |
| Issuance of bonds and notes                                | 25,695            | 25,665        | 72,440        | 54,915        | -               | 33,775        | 50,067        | -               | 25,955         | 34,900        |
| Payments to refunded bond escrow agent                     | (11,135)          | (9,345)       | -             | (18,241)      | (55,960)        | -             | -             | -               | -              | -             |
| Refunded bonds redeemed                                    | -                 | -             | -             | -             | -               | -             | -             | (535)           | -              | -             |
| Total other financing sources (uses), net                  | <u>26,100</u>     | <u>26,740</u> | <u>73,453</u> | <u>58,700</u> | <u>122</u>      | <u>31,948</u> | <u>52,439</u> | <u>1,079</u>    | <u>25,072</u>  | <u>49,432</u> |
| Net change in fund balances                                | \$ <u>(7,902)</u> | <u>11,801</u> | <u>41,495</u> | <u>6,064</u>  | <u>(46,929)</u> | <u>22,344</u> | <u>23,510</u> | <u>(23,965)</u> | <u>(6,520)</u> | <u>21,554</u> |
| Debt service as a percentage of<br>noncapital expenditures | 10.4%             | 10.3%         | 9.9%          | 9.3%          | 9.4%            | 9.6%          | 9.2%          | 9.3%            | 9.3%           | 9.2%          |

(1) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were netted against intergovernmental revenue.

(concluded)

**CITY OF WORCESTER, MASSACHUSETTS**  
Governmental Funds Tax Revenues by Source  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

Table 6

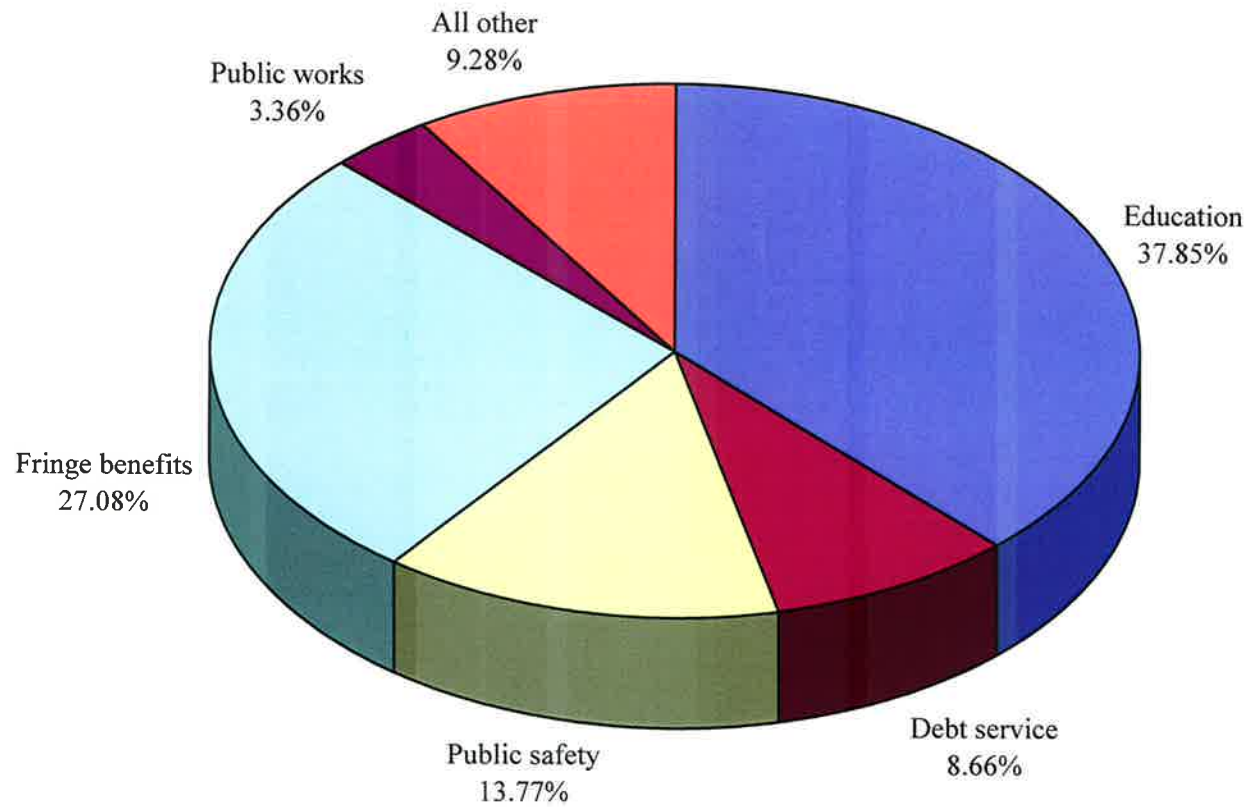
| Fiscal Year | Property Tax | Motor Vehicle Excise Tax | Hotel/Motel Tax | Meals Tax | Sales Tax | Total   |
|-------------|--------------|--------------------------|-----------------|-----------|-----------|---------|
| 2002        | \$ 140,712   | 13,091                   | 782             | -         | -         | 154,585 |
| 2003        | 148,322      | 14,085                   | 713             | -         | -         | 163,120 |
| 2004        | 156,942      | 13,205                   | 684             | -         | -         | 170,831 |
| 2005        | 163,706      | 13,101                   | 753             | -         | -         | 177,560 |
| 2006        | 171,484      | 12,189                   | 709             | -         | -         | 184,382 |
| 2007        | 177,781      | 12,545                   | 845             | -         | -         | 191,171 |
| 2008        | 189,419      | 12,677                   | 1,104           | 198       | 20        | 203,200 |
| 2009        | 197,777      | 11,370                   | 1,483           | 327       | 30        | 210,630 |
| 2010        | 204,832      | 11,550                   | 1,422           | 1,431     | 31        | 219,266 |
| 2011        | 216,370      | 11,311                   | 1,787           | 2,450     | 32        | 231,950 |

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**CITY OF WORCESTER, MASSACHUSETTS**  
General Fund Expenditures – Modified Accrual Basis of Accounting  
Year ended June 30, 2011

**Graph 1**



**CITY OF WORCESTER, MASSACHUSETTS**  
General Fund Expenditures – Modified Accrual Basis of Accounting  
Last Ten Fiscal Years  
(Amounts expressed in thousands)

**Table 7**

|                                | <u>2002</u>       | <u>2003</u>    | <u>2004</u>    | <u>2005</u>    | <u>2006</u>    | <u>2007</u>    | <u>2008</u>    | <u>2009</u>    | <u>2010</u>    | <u>2011</u>    |
|--------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General government             | \$ 14,726         | 10,326         | 10,391         | 11,216         | 12,574         | 13,316         | 13,785         | 13,981         | 12,749         | 13,730         |
| Public safety                  | 62,954            | 64,045         | 63,359         | 64,776         | 71,360         | 74,813         | 78,576         | 79,656         | 76,689         | 74,931         |
| Health and human<br>services   | 5,595             | 3,658          | 2,841          | 2,805          | 3,629          | 3,832          | 3,776          | 2,639          | 575            | 675            |
| Education                      | 179,401           | 181,006        | 189,472        | 190,912        | 199,411        | 191,976        | 197,241        | 199,840        | 198,001        | 205,918        |
| Public works                   | 14,848            | 17,598         | 15,086         | 19,000         | 17,537         | 16,610         | 20,121         | 22,491         | 18,096         | 18,255         |
| Culture and recreation         | 8,421             | 7,973          | 6,839          | 7,121          | 7,679          | 8,441          | 8,400          | 9,016          | 7,955          | 7,807          |
| Fringe benefits (1)            | 71,052            | 85,622         | 103,212        | 118,377        | 126,381        | 130,746        | 136,213        | 124,318        | 138,899        | 147,319        |
| State and regional charges (1) | 2,276             | 2,424          | 14,909         | 16,514         | 19,445         | 20,550         | 23,914         | 26,102         | 26,865         | 28,254         |
| Debt service                   | 44,501            | 44,971         | 44,299         | 44,478         | 44,114         | 45,466         | 45,328         | 45,523         | 46,853         | 47,095         |
| Totals                         | \$ <u>403,774</u> | <u>417,623</u> | <u>450,408</u> | <u>475,199</u> | <u>502,130</u> | <u>505,750</u> | <u>527,354</u> | <u>523,566</u> | <u>526,682</u> | <u>543,984</u> |

(1) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were netted against intergovernmental revenue.

**CITY OF WORCESTER, MASSACHUSETTS**  
General Fund Revenues – Modified Accrual Basis of Accounting  
Year ended June 30, 2011

**Graph 2**

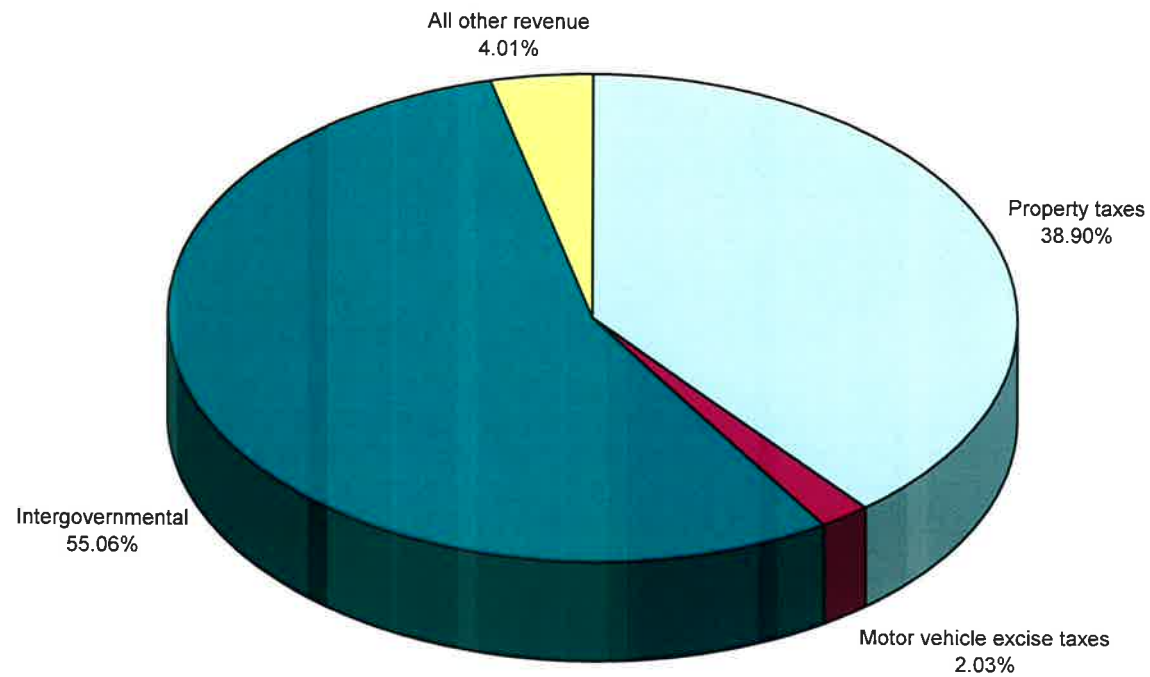


Table 8

**CITY OF WORCESTER, MASSACHUSETTS**  
General Fund Revenues – Modified Accrual Basis of Accounting  
Last Ten Fiscal Years  
(Amounts expressed in thousands)

|                                  | <u>2002</u>       | <u>2003</u>    | <u>2004</u>    | <u>2005</u>    | <u>2006</u>    | <u>2007</u>    | <u>2008</u>    | <u>2009</u>    | <u>2010</u>    | <u>2011</u>    |
|----------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Property taxes                   | \$ 140,712        | 148,322        | 156,942        | 163,706        | 171,484        | 177,781        | 189,419        | 197,777        | 204,832        | 216,370        |
| Motor vehicle excise taxes       | 13,091            | 14,085         | 13,205         | 13,101         | 12,189         | 12,545         | 12,677         | 11,370         | 11,550         | 11,311         |
| Other taxes and in-lieu payments | 2,411             | 2,215          | 2,123          | 1,971          | 2,252          | 2,188          | 2,556          | 2,529          | 3,208          | 4,934          |
| Penalties and interest on taxes  | 1,977             | 2,702          | 2,670          | 2,867          | 2,564          | 2,520          | 2,414          | 2,605          | 2,272          | 2,285          |
| Licenses and permits             | 4,468             | 5,266          | 5,486          | 5,692          | 5,571          | 4,355          | 4,726          | 4,402          | 4,890          | 4,865          |
| Intergovernmental (1) (2)        | 232,834           | 241,946        | 268,001        | 280,301        | 293,362        | 295,983        | 311,475        | 295,327        | 303,512        | 306,267        |
| Charges for services             | 2,477             | 3,613          | 3,864          | 4,052          | 3,760          | 5,684          | 6,232          | 5,918          | 5,909          | 5,939          |
| Fines and forfeitures            | 2,122             | 2,636          | 2,554          | 2,925          | 3,234          | 3,148          | 3,308          | 3,137          | 3,190          | 2,806          |
| Investment earnings              | 1,321             | 664            | 476            | 1,170          | 2,140          | 2,349          | 1,806          | 462            | 105            | 68             |
| Miscellaneous                    | 1,257             | 895            | 733            | 1,079          | 852            | 1,093          | 773            | 790            | 1,438          | 1,429          |
| Totals                           | \$ <u>402,670</u> | <u>422,344</u> | <u>456,054</u> | <u>476,864</u> | <u>497,408</u> | <u>507,646</u> | <u>535,386</u> | <u>524,317</u> | <u>540,906</u> | <u>556,274</u> |

- (1) In fiscal year 2002 on-behalf payments for pension benefits from the Massachusetts Teachers' Retirement System became available and were accounted for.
- (2) Charter school and school choice assessments are shown as state and regional charges from 2004 forward. In years prior these charges were netted against intergovernmental revenue.

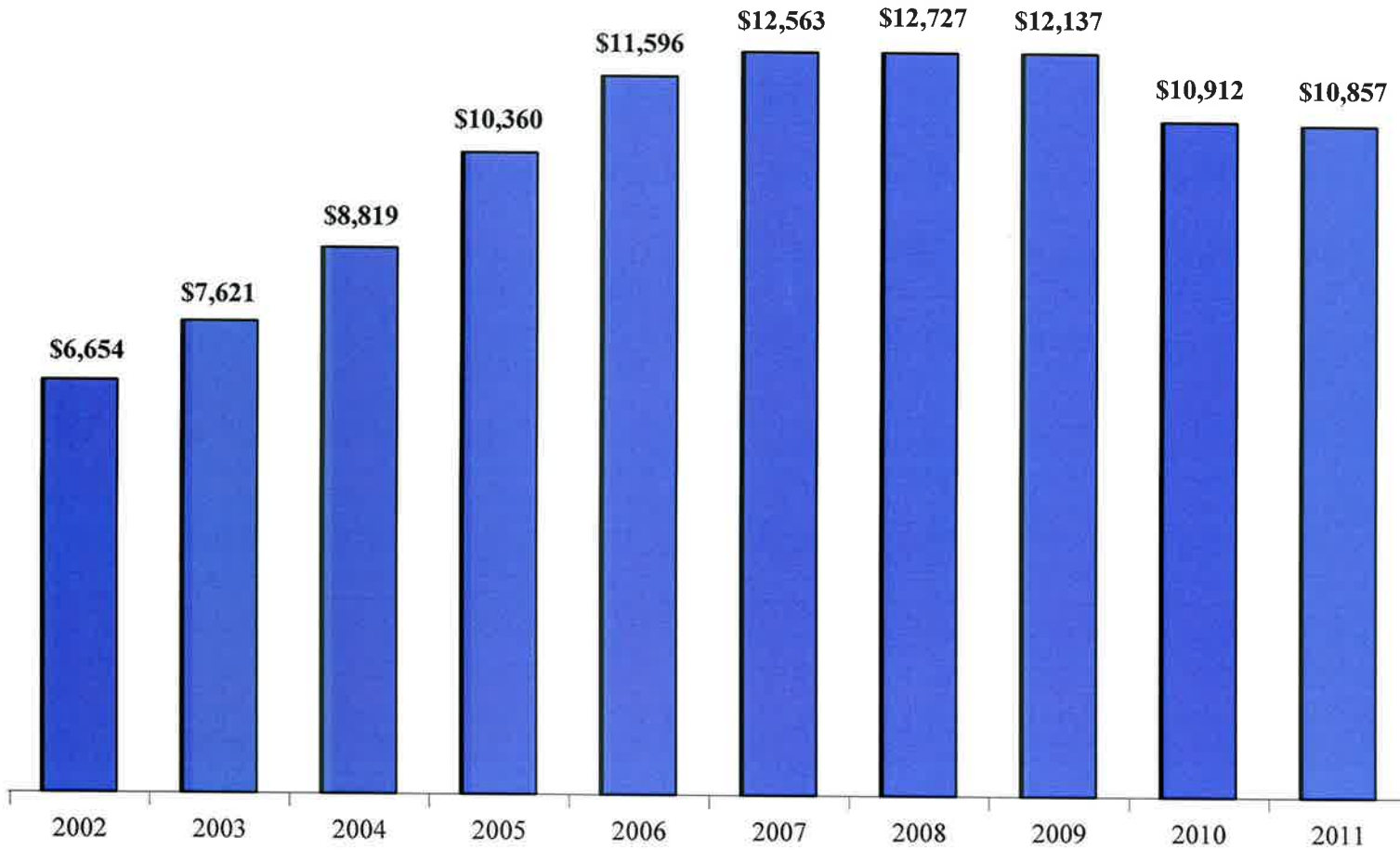
**CITY OF WORCESTER, MASSACHUSETTS**

Assessed Valuation

Last Ten Fiscal Years

(Amounts expressed in millions)

**Graph 3**





**CITY OF WORCESTER, MASSACHUSETTS**  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Amounts expressed in thousands, except for total direct tax rate)

**Table 9**

| Fiscal Year | Assessed value       |                                    |                   |                              | Total Direct tax Rate (1) | State Equalized Value | Ratio of Assessed to Equalized Value | Tax Exempt Real Property | Total Assessed Value | Ratio of Exempt property To total Assessed value |
|-------------|----------------------|------------------------------------|-------------------|------------------------------|---------------------------|-----------------------|--------------------------------------|--------------------------|----------------------|--|
|             | Residential Property | Commercial and Industrial Property | Personal Property | Total taxable Assessed Value |                           |                       |                                      |                          |                      |  |
| 2002        | \$ 4,984,353         | 1,355,745                          | 314,115           | 6,654,213                    | 21.27                     | 6,010,162             | 110.72                               | \$ 1,830,384             | 8,484,597            | 21.57%   |
| 2003        | 5,912,081            | 1,382,048                          | 326,949           | 7,621,078                    | 19.59                     | 7,248,688             | 105.14                               | 2,110,469                | 9,731,547            | 21.69  |
| 2004        | 7,036,273            | 1,446,202                          | 336,277           | 8,818,752                    | 17.75                     | 7,248,688             | 121.66                               | 2,449,698                | 11,268,450           | 21.74  |
| 2005        | 8,498,913            | 1,549,889                          | 311,287           | 10,360,089                   | 15.77                     | 9,694,618             | 106.86                               | 2,445,616                | 12,805,705           | 19.10  |
| 2006        | 9,445,223            | 1,827,404                          | 322,901           | 11,595,528                   | 14.88                     | 9,694,618             | 119.61                               | 2,494,021                | 14,089,549           | 17.70  |
| 2007        | 10,312,441           | 1,914,173                          | 336,437           | 12,563,051                   | 14.47                     | 12,654,572            | 99.28                                | 2,768,326                | 15,331,377           | 18.06  |
| 2008        | 10,462,845           | 1,915,408                          | 348,741           | 12,726,994                   | 14.97                     | 12,654,572            | 100.57                               | 2,890,917                | 15,617,911           | 18.51  |
| 2009        | 9,816,042            | 1,933,249                          | 387,967           | 12,137,258                   | 16.41                     | 13,827,180            | 87.78                                | 3,004,042                | 15,141,300           | 19.84  |
| 2010        | 8,585,028            | 1,916,902                          | 410,012           | 10,911,942                   | 19.02                     | 13,827,180            | 78.92                                | 2,996,065                | 13,908,007           | 21.54  |
| 2011        | 8,495,190            | 1,936,409                          | 425,263           | 10,856,862                   | 20.10                     | 11,928,304            | 91.02                                | 2,960,659                | 13,817,521           | 21.43  |

(1) Per \$1,000 of assessed value

Table 10

**CITY OF WORCESTER, MASSACHUSETTS**  
Principal Taxpayers - Current Year and Nine Years Ago  
June 30, 2011  
(Amounts expressed in thousands)

| Taxpayer                                 | Type of business         | 2011               |      |                      |                        | 2002               |      |                      |                        |
|--|--------------------------|--------------------|------|----------------------|------------------------|--------------------|------|----------------------|------------------------|
|  |                          | Assessed valuation | Rank | Fiscal 2011 tax bill | Percentage of tax levy | Assessed valuation | Rank | Fiscal 2002 tax bill | Percentage of tax levy |
| Massachusetts Electric Co.               | Electric utility         | \$ 143,843         | 1    | \$ 4,787             | 2.19%                  | \$ 127,506         | 1    | \$ 4,011             | 2.83%                  |
| Verizon                                  | Communications           | 55,532             | 2    | 1,848                | 0.85                   | 55,839             | 2    | 1,757                | 1.24                   |
| Nstar                                    | Gas utility              | 53,562             | 3    | 1,783                | 0.82                   | 40,867             | 7    | 1,286                | 0.91                   |
| V3B SA LLC (Lincoln Plaza)               | Shopping plaza           | 52,952             | 4    | 1,762                | 0.81                   | -                  | -    | -                    | -                      |
| Hanover Insurance Group (Allmerica)      | Insurance                | 50,347             | 5    | 1,676                | 0.77                   | 48,631             | 4    | 1,561                | 1.10                   |
| VHS Acquisition (St Vincent Hospital)    | Medical care             | 44,871             | 6    | 1,493                | 0.68                   | 48,080             | 5    | 1,513                | 1.07                   |
| Abbott Bioresearch                       | Biotechnology            | 42,479             | 7    | 1,414                | 0.65                   | 39,648             | 8    | 1,247                | 0.88                   |
| Worcester Renaissance LLC (City Square)  | Office/Shopping mall     | 35,084             | 8    | 1,168                | 0.54                   | 49,610             | 3    | 1,561                | 1.10                   |
| Greendale Mall (Mayflower Greendale LLP) | Shopping mall            | 32,390             | 9    | 1,078                | 0.49                   | 44,831             | 6    | 1,410                | 1.00                   |
| Charter Communications                   | Broadband cable services | 25,186             | 10   | 838                  | 0.38                   | 17,589             | 12   | 553                  | 0.39                   |
| Alexandria Real Estate Equities          | Biotechnology park       | -                  | -    | -                    | -                      | 33,700             | 9    | 1,060                | 0.75                   |
| Norton Company                           | Abrasives manufacturer   | -                  | -    | -                    | -                      | 25,733             | 10   | 809                  | 0.57                   |
| Totals                                   |                          | \$ 536,246         |      | \$ 17,847            | 8.17%                  | \$ 532,034         |      | \$ 16,768            | 11.84%                 |

Source: Assessor's department

Table 11

## CITY OF WORCESTER, MASSACHUSETTS

## Property Tax Levies and Collections

Last Seven Fiscal Years\*

(Amounts expressed in thousands)

| Fiscal<br>Year | Total tax levy<br>for fiscal year | Collected within the<br>Fiscal year of the levy |                       | Collections in<br>Subsequent<br>Years | Total collections to date |                       |
|----------------|-----------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                |                                   | Amount  | Percentage<br>of levy |                                       | Amount                    | Percentage<br>of levy |
| 2005           | \$ 162,051                        | 158,415   | 97.76%                | \$ 3,667                              | 162,082                   | 100.02%               |
| 2006           | 170,372                           | 166,275   | 97.60                 | 4,174                                 | 170,449                   | 100.05                |
| 2007           | 179,059                           | 173,398   | 96.84                 | 5,916                                 | 179,314                   | 100.14                |
| 2008           | 188,164                           | 182,941   | 97.22                 | 5,478                                 | 188,419                   | 100.14                |
| 2009           | 197,102                           | 191,875   | 97.35                 | 5,188                                 | 197,063                   | 99.98                 |
| 2010           | 205,348                           | 199,535   | 97.17                 | 5,169                                 | 204,704                   | 99.69                 |
| 2011           | 216,293                           | 210,277   | 97.22                 | -                                     | 210,277                   | 97.22                 |

\* Data is being accumulated from fiscal year 2005 and forward.

Table 12

## CITY OF WORCESTER, MASSACHUSETTS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

| Fiscal<br>Year | Governmental activities        |                        | Business-type activities       |               | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income (1) | Per<br>Capita (2) |
|----------------|--------------------------------|------------------------|--------------------------------|---------------|--------------------------------|---|-------------------|
|                | General<br>Obligation<br>Bonds | Section<br>108<br>Note | General<br>Obligation<br>Bonds | Sewer<br>Note |                                |   |                   |
| 2002           | \$ 452,683                     | -                      | 101,336                        | -             | 554,019                        | 14.55                                   | \$ 3,209          |
| 2003           | 451,740                        | -                      | 101,169                        | -             | 552,909                        | 14.51                                   | 3,203             |
| 2004           | 491,164                        | 5,800                  | 109,380                        | 1,168         | 607,512                        | 15.46                                   | 3,519             |
| 2005           | 518,420                        | 5,800                  | 111,910                        | 1,123         | 637,253                        | 16.03                                   | 3,691             |
| 2006           | 489,146                        | 5,800                  | 103,808                        | 991           | 599,745                        | 15.03                                   | 3,474             |
| 2007           | 490,036                        | 5,800                  | 112,729                        | 949           | 609,514                        | 14.46                                   | 3,530             |
| 2008           | 507,329                        | 5,800                  | 133,942                        | 906           | 647,977                        | 14.49                                   | 3,753             |
| 2009           | 473,670                        | 4,706                  | 124,562                        | 863           | 603,801                        | 12.73                                   | 3,497             |
| 2010           | 463,085                        | 4,608                  | 126,287                        | 819           | 594,799                        | 12.80                                   | 3,257             |
| 2011           | 462,302                        | 4,505                  | 125,292                        | 774           | 592,873                        | 12.76                                   | 3,275             |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Source: Massachusetts Department of Workforce Development

(2) Population data based on 2000 and 2010 Census

**Table 13****CITY OF WORCESTER, MASSACHUSETTS**

Ratio of Governmental Funds General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

| <b>Fiscal year</b> | <b>General<br/>Obligation<br/>Bonds</b> | <b>Percentage of<br/>Assessed<br/>Value (1)</b> | <b>Total<br/>Per capita (2)</b> |
|--------------------|---|---|---------------------------------|
| 2002               | \$ 554,019                              | 9.22%   | \$ 3,209                        |
| 2003               | 552,909                                 | 7.63  | 3,203                           |
| 2004               | 496,683                                 | 5.63  | 2,830                           |
| 2005               | 527,518                                 | 5.09  | 3,001                           |
| 2006               | 498,472                                 | 4.30  | 2,834                           |
| 2007               | 499,298                                 | 3.97  | 2,846                           |
| 2008               | 516,435                                 | 4.06  | 2,942                           |
| 2009               | 481,671                                 | 3.97  | 2,638                           |
| 2010               | 471,073                                 | 4.32  | 2,579                           |
| 2011               | 470,193                                 | 4.33  | 2,597                           |

Note: Details regarding the City's outstanding debt can be found in the notes to financial statements.

(1) See Table of Assessed Value and Estimated Value of Taxable Property

(2) Population data based on 2000 and 2010 Census

Table 14

## CITY OF WORCESTER, MASSACHUSETTS

Legal Debt Margin  
Last Ten Fiscal Years  
(Amounts expressed in thousands)

|   | 2002             | 2003          | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           |
|---|------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt Limit (1)  | \$ 150,254       | 181,217       | 362,434        | 484,731        | 484,731        | 632,729        | 632,729        | 691,359        | 691,359        | 596,415        |
| Total net debt applicable to limit                                      | 125,014          | 170,375       | 180,376        | 199,169        | 208,140        | 268,676        | 268,621        | 280,473        | 263,915        | 342,654        |
| Legal debt limit  | \$ <u>25,240</u> | <u>10,842</u> | <u>182,058</u> | <u>285,562</u> | <u>276,591</u> | <u>364,053</u> | <u>364,108</u> | <u>410,886</u> | <u>427,444</u> | <u>253,761</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 83.20%           | 94.02%        | 49.77%         | 41.09%         | 42.94%         | 42.46%         | 42.45%         | 40.57%         | 38.17%         | 57.45%         |

## Legal Debt Margin Calculation for Fiscal Year 2011

|   |                      |                |
|---|----------------------|----------------|
| Equalized valuation - real estate and<br>personal property (January 1, 2010)                                    | \$ <u>11,928,304</u> | -              |
| Debt limit - 5% of equalized<br>valuation   |                      | 596,415        |
| Total bonded debt (including<br>authorized and unissued of<br>\$325,337)  | \$ 912,931           |                |
| Less bonded debt not included<br>in computation of legal debt<br>margin as defined by Massachusetts<br>statutes | (440,861)            |                |
| Less bonded debt authorized<br>but not yet issued which is<br>outside the debt limit                            | <u>(129,416)</u>     | <u>342,654</u> |
| Legal debt margin   | \$                   | <u>253,761</u> |

(1) In fiscal 2004 Massachusetts statute raised the debt limit from 2 1/2% to 5% of equalized valuation.

**CITY OF WORCESTER, MASSACHUSETTS**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

**Table 15**

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income<br/>(amounts expressed<br/>in thousands) (1)</u> | <u>Per Capita<br/>Personal Income (2)</u> | <u>Median Age</u> | <u>Public School Enrollment (3)</u> | <u>Unemployment Rate (4)</u> |
|--------------------|-------------------|---|---|-------------------|-------------------------------------|------------------------------|
| 2002               | 174,078 (1)       | \$ -  | -   | -                 | 25,037                              | 5.4%                         |
| 2003               | 175,071 (1)       | -   | -   | -                 | 24,885                              | 7.0                          |
| 2004               | 175,495 (1)       | -   | -   | -                 | 24,363                              | 7.0                          |
| 2005               | 175,770 (1)       | 3,909,828   | 22,244                                    | 33.4              | 24,227                              | 6.0                          |
| 2006               | 175,898 (1)       | 3,989,327   | 22,680                                    | -                 | 23,404                              | 5.7                          |
| 2007               | 175,454 (1)       | 4,216,455   | 24,032                                    | -                 | 23,682                              | 6.3                          |
| 2008               | 175,521 (1)       | 4,471,694   | 25,704                                    | -                 | 22,844                              | 5.7                          |
| 2009               | 182,596 (1)       | 4,742,672   | 27,099                                    | -                 | 23,126                              | 9.3                          |
| 2010               | 182,635 (1)       | 4,646,364   | 26,549                                    | -                 | 23,281                              | 9.6                          |
| 2011               | 181,045 (2)       | 4,757,752   | 27,185                                    | -                 | 23,490                              | 10.0                         |

(1) Source: U.S. Department of Commerce estimates

(2) Source: U.S. Department of Commerce, Census for fiscal year 2011

(3) Source: Worcester School Department as of October 1 of each fiscal year

(4) Source: Massachusetts Department of Workforce Development

Table 16

## CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees

Last Ten Fiscal Years

|                           | <u>2002</u>  | <u>2003</u>  | <u>2004</u>  | <u>2005</u>  | <u>2006</u>  | <u>2007</u>  | <u>2008</u>  | <u>2009</u>  | <u>2010</u>  | <u>2011</u>  |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government        | 241          | 201          | 189          | 188          | 197          | 200          | 201          | 175          | 176          | 167          |
| Public safety             |              |              |              |              |              |              |              |              |              |              |
| Police                    |              |              |              |              |              |              |              |              |              |              |
| Officers                  | 459          | 424          | 468          | 456          | 468          | 465          | 448          | 438          | 415          | 409          |
| Civilians                 | 56           | 39           | 45           | 47           | 53           | 54           | 51           | 49           | 49           | 49           |
| Fire                      |              |              |              |              |              |              |              |              |              |              |
| Officers                  | 445          | 398          | 429          | 421          | 410          | 402          | 403          | 384          | 385          | 399          |
| Civilians                 | 11           | 12           | 16           | 10           | 10           | 11           | 11           | 9            | 8            | 8            |
| Other public safety       | (1) 56       | 105          | 95           | 98           | 86           | 89           | 97           | 116          | 110          | 105          |
| Health and human services | (1) 206      | 89           | 89           | 92           | 102          | 96           | 94           | 56           | 53           | 54           |
| Education                 | 4,111        | 3,905        | 3,821        | 3,698        | 3,658        | 3,506        | 3,384        | 3,433        | 3,446        | 3,478        |
| Public works              | 217          | 196          | 182          | 183          | 189          | 185          | 189          | 189          | 174          | 163          |
| Culture and recreation    | 162          | 143          | 132          | 133          | 133          | 129          | 135          | 129          | 125          | 117          |
| Water                     | 120          | 117          | 114          | 112          | 111          | 106          | 105          | 111          | 109          | 102          |
| Sewer                     | 56           | 52           | 58           | 54           | 54           | 55           | 54           | 58           | 59           | 52           |
| Airport                   | 23           | 21           | 16           | 16           | 18           | 17           | 16           | 16           | 17           | 20           |
| Golf course               | 3            | 3            | 2            | 3            | 3            | 3            | 2            | 2            | 2            | 2            |
| Totals                    | <u>6,166</u> | <u>5,705</u> | <u>5,656</u> | <u>5,511</u> | <u>5,492</u> | <u>5,318</u> | <u>5,190</u> | <u>5,165</u> | <u>5,128</u> | <u>5,125</u> |

Source: Payroll database as of June 30th of each respective fiscal year

(1) In Fiscal 2003, the Code Inspection department was reorganized from the Health department into its' own division in the public safety category.



Table 17

## CITY OF WORCESTER, MASSACHUSETTS

## Principal Employers

Current year and nine years ago

| Employer                                   | Type of business         | 2011      |      |                                     | 2002      |      |                                     |
|--|--------------------------|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
|  |                          | Employees | Rank | Percentage of total City Employment | Employees | Rank | Percentage of total City Employment |
| UMass Memorial Health Care                 | Health care              | 13,466    | 1    | 17.97%                              | 8,000     | 1    | 10.68%                              |
| University of Massachusetts Medical School | Education                | 5,914     | 2    | 7.89                                | 5,200     | 3    | 6.94                                |
| City of Worcester                          | Government and education | 5,125     | 3    | 6.84                                | 6,383     | 2    | 8.52                                |
| Hanover Insurance Group                    | Insurance                | 1,850     | 4    | 2.47                                | 3,340     | 4    | 4.46                                |
| Fallon Clinic                              | Health care              | 1,841     | 5    | 2.46                                | 2,400     | 6    | 3.20                                |
| Saint Gobin                                | Abrasives manufacturer   | 1,800     | 6    | 2.40                                | 1,925     | 7    | 2.57                                |
| St Vincent Hospital                        | Health care              | 1,728     | 7    | 2.31                                | 2,416     | 5    | 3.22                                |
| Polar Beverages                            | Bottling company         | 1,400     | 8    | 1.87                                | N/A       | N/A  | N/A                                 |
| Quinsigamond Community College             | Education                | 1,119     | 9    | 1.49                                | N/A       | N/A  | N/A                                 |
| Simplex Grinnell                           | Communication Systems    | 1,000     | 10   | 1.33                                | N/A       | N/A  | N/A                                 |
| Massachusetts Electric Company             | Utility                  | N/A       | N/A  | N/A                                 | 1,665     | 8    | 2.22                                |
| Seven Hills Foundation                     | Education                | N/A       | N/A  | N/A                                 | 1,609     | 9    | 2.15                                |
| Price Chopper                              | Supermarket              | N/A       | N/A  | N/A                                 | 1,198     | 10   | 1.60                                |

Sources: 2011 - Worcester Business Journal  
2002 - Worcester Area Chamber of Commerce

Table 18

## CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function  
Last Ten Fiscal/Calendar Years

| Function   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Police (1), (2)</b>                                   |        |        |        |        |        |        |        |        |        |        |
| Total arrests  | 7,759  | 8,033  | 6,482  | 7,014  | 7,853  | 8,581  | 9,360  | 8,658  | 7,183  | 6,546  |
| Different individuals arrested                           | 5,938  | 6,041  | 5,154  | 5,366  | 5,916  | 6,671  | 7,082  | 6,584  | 5,841  | 4,848  |
| Arrests for selected charges                             |        |        |        |        |        |        |        |        |        |        |
| Drug-related   | 2,403  | 2,792  | 1,611  | 1,638  | 2,829  | 2,668  | 2,574  | 2,582  | 1,758  | 1,240  |
| Aggravated assault                                       | 579    | 667    | 633    | 540    | 679    | 571    | 679    | 704    | 778    | 338    |
| Disorderly conduct, disturbing peace                     | 1,654  | 1,679  | 1,357  | 1,351  | 1,071  | 1,201  | 1,291  | 1,210  | 1,222  | 839    |
| Prostitution and related                                 | 204    | 230    | 195    | 234    | 232    | 178    | 214    | 223    | 131    | 140    |
| Sexual assault, including rape                           | 43     | 59     | 23     | 22     | 33     | 29     | 41     | 39     | 38     | 14     |
| Armed robbery  | 54     | 52     | 73     | 73     | 57     | 66     | 70     | 43     | 62     | 55     |
| Murder /manslaughter, attempted murder                   | 33     | 46     | 24     | 46     | 7      | 14     | 6      | 12     | 6      | 7      |
| <b>Fire (1)</b>  |        |        |        |        |        |        |        |        |        |        |
| Total Incidents  | 33,054 | 29,350 | 22,839 | 21,778 | 22,076 | 22,498 | 24,735 | 29,002 | 28,755 | 28,152 |
| Selected incidents                                       |        |        |        |        |        |        |        |        |        |        |
| EMS  | 13,377 | 14,624 | 16,038 | 15,383 | 14,558 | 15,654 | 15,086 | 18,167 | 17,169 | 15,963 |
| Structure fires  | 797    | 716    | 454    | 417    | 749    | 681    | 663    | 828    | 618    | 571    |
| Arson fires  | 30     | 43     | 42     | 31     | 29     | 28     | 29     | 37     | 20     | 21     |
| Vehicle fires  | 284    | 269    | 206    | 184    | 184    | 139    | 132    | 120    | 83     | 100    |
| Good intent  | 2,201  | 3,658  | 1,019  | 1,149  | 1,322  | 1,514  | 1,452  | 1,665  | 1,013  | 1,013  |
| False alarm  | 1,632  | 1,591  | 1,542  | 1,705  | 3,102  | 2,971  | 3,134  | 3,849  | 2,754  | 2,869  |
| <b>Highways and streets</b>                              |        |        |        |        |        |        |        |        |        |        |
| Streets and resurfacing (1), (3)                         | 8      | 9      | 16     | 14     | 14     | 15     | 15     | 14     | 11     | 11     |
| Potholes repaired  | 9,105  | 13,268 | 15,596 | 7,895  | 13,403 | 11,489 | 13,088 | 12,030 | 14,932 | 12,954 |
| <b>Sanitation</b>  |        |        |        |        |        |        |        |        |        |        |
| Refuse collected (tons/day)                              | 112.70 | 106.62 | 107.05 | 104.15 | 102.78 | 100.30 | 91.06  | 88.65  | 82.30  | 81.83  |
| Recyclable collected (tons/day)                          | 36.70  | 36.99  | 38.71  | 37.70  | 37.20  | 34.77  | 36.07  | 33.97  | 34.71  | 36.1   |
| <b>Water</b>   |        |        |        |        |        |        |        |        |        |        |
| New connections  | 377    | 389    | 463    | 454    | 373    | 271    | 239    | 188    | 48     | 95     |
| Water main breaks  | 199    | 61     | 65     | 76     | 50     | 56     | 55     | 72     | 52     | 74     |
| Average daily consumption<br>(thousands of gallons)      | 23,578 | 24,091 | 23,932 | 23,595 | 22,681 | 22,187 | 22,960 | 22,264 | 21,225 | 22,099 |
| <b>Wastewater</b>  |        |        |        |        |        |        |        |        |        |        |
| Average daily sewage treatment<br>(thousands of gallons) | 33,195 | 31,944 | 27,743 | 31,364 | 30,156 | 33,200 | 31,700 | 34,600 | 31,160 | 26,550 |

Source: Various government departments

(1) Based on a calendar year rather than a fiscal year.

(2) Data for years prior to 2003 represent the number of times each category of charges was involved in an arrest. Thus, three charges or instances of a crime filed on a single arrest would be coded as three charges rather than one arrest. Since 2003, the numbers represent the numbers of arrests in which one or more of the charges in a category were filed i.e. one arrest would be recorded instead of three charges.

(3) During the following years the miles noted were resurfaced by the state of Massachusetts and are included in the miles resurfaced above:

2002 - .93, 2003 - .14, 2004 - 1.56

Table 19

## CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function  
Last Ten Fiscal Years

| Function                                     | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      | 2010      | 2011      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Public safety</b>                         |           |           |           |           |           |           |           |           |           |           |
| Police stations                              | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         |
| Fire stations                                | 12        | 12        | 11        | 11        | 11        | 11        | 11        | 10        | 10        | 10        |
| <b>Education:</b>                            |           |           |           |           |           |           |           |           |           |           |
| Schools                                      | 52        | 52        | 49        | 49        | 49        | 45        | 46        | 46        | 45        | 44        |
| Libraries                                    | 3         | 3         | 3         | 3         | 3         | 3         | 3         | 3         | 3         | 3         |
| <b>Public works</b>                          |           |           |           |           |           |           |           |           |           |           |
| <b>Streets:</b>                              |           |           |           |           |           |           |           |           |           |           |
| Streets (miles)                              | 411       | 411       | 414       | 414       | 416       | 418       | 420       | 423       | 424       | 425       |
| Sidewalks (miles)                            | 606       | 606       | 473       | 473       | 478       | 480       | 483       | 487       | 487       | 489       |
| Streetlights                                 | 12,752    | 12,772    | 12,972    | 12,994    | 13,238    | 13,275    | 13,321    | 13,321    | 13,759    | 13,759    |
| <b>Water:</b>                                |           |           |           |           |           |           |           |           |           |           |
| Main pipes (miles) (1)                       | 659       | 614       | 592       | 592       | 592       | 582       | 582       | 584       | 585       | 586       |
| Fire hydrants (2)                            | 5,490     | 5,481     | 5,940     | 5,940     | 5,951     | 5,658     | 5,675     | 5,680     | 5,726     | 5,748     |
| Reservoirs                                   | 10        | 10        | 10        | 10        | 10        | 10        | 10        | 10        | 10        | 10        |
| Reservoir gallons of capacity (in thousands) | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 | 7,379,938 |
| <b>Sewers:</b>                               |           |           |           |           |           |           |           |           |           |           |
| Sanitary sewers (miles)                      | 381       | 387       | 389       | 390       | 392       | 392       | 393       | 396       | 396       | 397       |
| Combined sewers (miles)                      | 65        | 65        | 66        | 65        | 65        | 65        | 61        | 61        | 61        | 61        |
| Surface sewers (miles)                       | 353       | 358       | 361       | 362       | 364       | 364       | 368       | 370       | 371       | 371       |
| <b>Municipal parking garages:</b>            |           |           |           |           |           |           |           |           |           |           |
| Capacity - cars                              |           |           |           |           |           |           |           |           |           |           |
| Pearl Elm                                    | 800       | 800       | 800       | 800       | 800       | 800       | 800       | 800       | 800       | 800       |
| Federal Plaza                                | 511       | 511       | 511       | 511       | 511       | 511       | 511       | 511       | 511       | 511       |
| Major Taylor Boulevard                       |           |           |           |           |           | 981       | 981       | 981       | 981       | 981       |
| Union Station                                |           |           |           |           |           |           |           |           | 500       | 500       |
| <b>Culture and recreation</b>                |           |           |           |           |           |           |           |           |           |           |
| Parks  | 52        | 53        | 54        | 54        | 56        | 60        | 60        | 60        | 60        | 60        |
| Parks and playground acreage                 | 1,285     | 1,316     | 1,316     | 1,316     | 1,316     | 1,316     | 1,316     | 1,316     | 1,316     | 1,328     |
| <b>DCU Center</b>                            |           |           |           |           |           |           |           |           |           |           |
| Seating capacities                           |           |           |           |           |           |           |           |           |           |           |
| Center stage                                 | 14,639    | 14,639    | 14,639    | 14,639    | 14,639    | 14,639    | 14,639    | 14,639    | 14,639    | 14,639    |
| End stage                                    | 14,751    | 14,751    | 14,751    | 14,751    | 14,751    | 14,751    | 14,751    | 14,751    | 14,751    | 14,751    |
| Basketball                                   | 13,500    | 13,500    | 13,500    | 13,500    | 13,500    | 13,500    | 13,500    | 13,500    | 13,500    | 13,500    |
| Hockey with open curtain                     | 12,239    | 12,239    | 12,239    | 12,239    | 12,239    | 12,239    | 12,239    | 12,239    | 12,239    | 12,239    |
| Hockey with closed curtain                   |           |           |           |           |           | 6,880     | 6,880     | 6,880     | 7,230     | 7,230     |
| Ice show                                     | 12,297    | 12,297    | 12,297    | 12,297    | 12,297    | 12,297    | 12,297    | 12,297    | 12,297    | 12,297    |
| Municipal cemeteries                         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         | 1         |

Source: Various government departments

- (1) Beginning in fiscal year 2007, service laterals, hydrant laterals and fire pipes were not included in the miles of water mains  
 (2) Beginning in fiscal year 2007, private hydrants were not included in the number of fire hydrants.